



India's Urban Housing Puzzle

SHRI RAM CONSULTING & RESEARCH CENTRE

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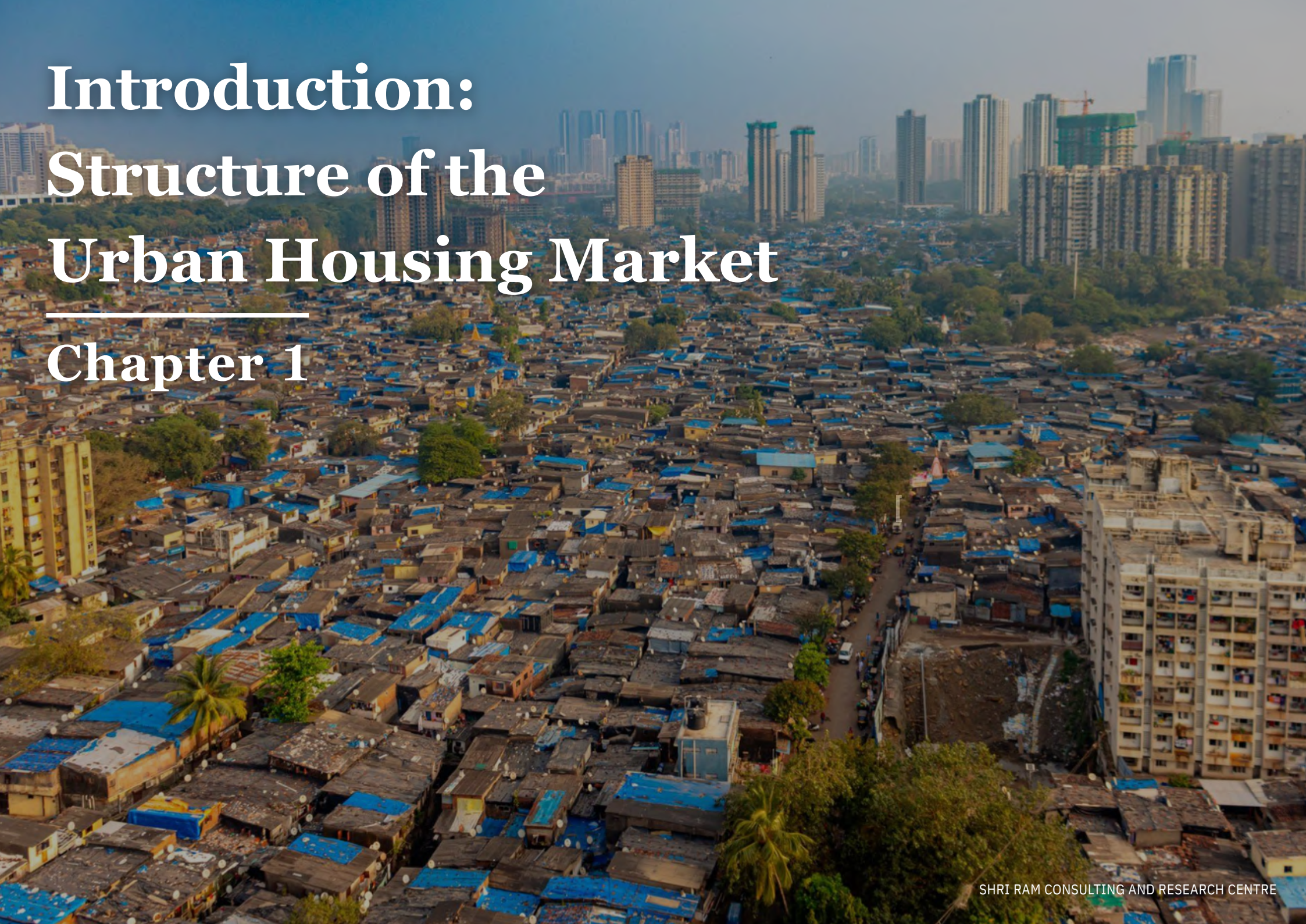
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01	<u>Introduction: Structure of the Urban Housing Market</u>	01
	• Formal vs. Informal Sector Dynamics • PAN-India HPI (2020-2025) & K-shaped recovery • Inventory & Absorption Metrics • Premiumization and luxury units trend	
02	<u>Structural Shifts in Urban Housing Demand</u>	04
	• Affordability Paradox: Price-income ratios, Repo Rate impact • Fintech-Driven Credit Access: NBFCs, alternate data • Utility-first ownership, co-living demand • Government vs. private/gig-economy buyers	
03	<u>Supply Dynamics & Structural Mismatches</u>	08
	• Affordable Housing Squeeze: <₹45L decline, luxury peak • Land & Legal Bottlenecks: 40% land inflation, approval lag • Policy Disincentives: Taxation, input costs • Investor Pivot: Distressed asset turnarounds	
04	<u>Regional Dynamics: Tier-1 vs. Tier-2 Evolution</u>	11
	• Gurgaon: Price correction, investor exit • Mumbai: SRA/MHADA economics, premium segment • Tier-2 Growth: Jaipur, Indore, Lucknow • Reverse Migration Wave: Remote work, quality of life	
05	<u>India's Short-Term Rental Landscape & the Platform Economy</u>	17
	• Short-Term Rental Landscape • Long-to-Short Term Shift: Financial modeling • Localized Rent Hyper-inflation: Airbnb effect • Serviced Living rise	



CONTENTS

06	<u>Tech as an Enabler</u>	21
	• Virtual Discovery - AR/VR • Blockchain: Title integrity, DLT • Smart Contracts: Sales, rentals • Fractional Ownership • Case Study	
07	<u>Policy Gaps & Strategic Recommendations</u>	27
	• RERA 2.0: Loopholes, accountability • Stamp Duty & Tax Reform: Waivers, GST • Rental Market Unlock: Model Tenancy Act • Short-Term Rental Governance: Balance platforms, security	
08	<u>2026 Forecast</u>	32
	• Geopolitical, Macro Drivers: Interest rates, raw materials • Supply-Demand Equilibrium: Price-time correction • Urban Sprawl: Satellite townships, transit-oriented • Sustainability: 5-10% premium for green projects	

An aerial photograph showing a vast, dense urban landscape. The foreground and middle ground are filled with a tightly packed informal settlement, characterized by numerous small, low-rise buildings with flat roofs, many of which are painted blue. A few taller, multi-story apartment buildings are interspersed within this area. In the background, a skyline of modern high-rise skyscrapers rises against a clear blue sky, indicating a major metropolitan area. The contrast between the informal housing and the formal high-rise development is a central theme of the image.

Introduction: Structure of the Urban Housing Market

Chapter 1

Structure of the Urban Housing Market

Present Scenario

The cities in India may be expanding at a rapid rate, but it seems that finding a good place to live is becoming increasingly difficult. Just think about young couples in Mumbai and Gurgaon, who have no option but to live in small apartments because property rates keep rising. It is a dilemma because while **demand is rising with the increase in employment and working from home**, nothing is coming up.

Tier 2 cities, such as Indore, provide some respite, and then there are online portals such as Airbnb that completely disrupt the renting segment. Technology holds out promises of solutions ranging from virtual property tours to improved contractual formats.

Policy changes are required with a push from technology. This report walks through the market's quirks, demand shifts, supply snags, regional stories, platform changes, tech tools, policy gaps, and what 2026 might bring.

Structure of the Urban Housing Market

India's urban housing market splits into two worlds:

The **formal sector**, which is run by big developers with strict rules, bank loans, and shiny high-rises, and the **informal sector**, made up of quick, low-cost builds like slums or unauthorized homes, that reside and fill the gaps for regular people.

From 2020 to 2025, India's House Price Index showed recovery from a **-3.6% YoY low in Q4 2020 to 3.6% growth in Q1 2025-26**, averaging moderate gains through volatile post-COVID years. Richer areas bounced back quickly after COVID, while poorer areas remained largely unchanged. Builders sit on piles of unsold flats, especially luxury ones, that take months to sell as buyers move slowly. At the same time, a significant shift toward premium homes with pools and high-end amenities is driving most new projects, leaving basic options behind. These works demonstrate the market being out of rhythm, leading to the eventual dissection of each component.

Formal and Informal Sector Interaction

While the formal sector features numerous developers building RERA-compliant, high-end luxury high-rises over **3-4 years**, the informal sector provides urgent, affordable housing like slums and colonies strategically located near job centres.

The two areas compete fiercely for land in urban areas. While formal developments account for developments in terms of height, they do not account for mass-market development. On the other hand, informal areas account for developments in terms of urgency for shelter.

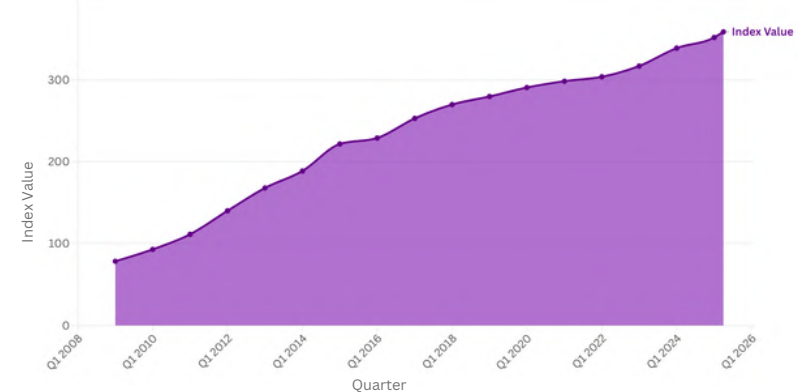
PAN-India HPI (2020-2025) & K-shaped recovery

The Indian House Price Index (HPI) is maintained by the Reserve Bank of India (RBI) and the National Housing Bank (NHB) to monitor the changes in the mean price of residential properties in the major urban centres in the country through the repeat sales method. **Between 2020 and 2025**, the house price index indicated a **volatile pattern of recovery** after the COVID-19 shock.

In 2020, lockdowns across the country led to a significant contraction. Knight Frank recorded a decline of **3.6% for Q4 2020**, with a **40-46%** fall in residential sales for the year as a whole. There was a significant rebound in 2021 following the RBI's accommodative **repo rate near 4%**, lowering EMIs and spurring affluent demand. Growth peaked in 2022 amid NRI investments and infrastructure momentum in premium markets.

Growth moderated through 2023-24 alongside rising interest rates that restrained mid-segment demand, while luxury continued gaining traction. Growth further **eased to 3.6% in Q1 2025 and 2.2% in Q2 2025**, with repo rates **reaching 6.5%**, alongside surging luxury sales while affordable housing stagnated.

India: House Price Index



Source: [TheGlobalEconomy.com, \(2009-2026\), India: House price index](https://www.theglobaleconomy.com/2009-2026/India/House_price_index/)

Luxury Dominance and Structural Challenges

K-Shaped Recovery

This formed a classic K-shaped recovery wherein the luxury segments in Mumbai, Bengaluru, and Gurgaon surged cumulatively **20-30%**, with high-net-worth buyers returning in strength, while affordable housing below Rs 45 lakh grew a meager **2-3%** due to wage stagnation. By late 2025, premium homes above **Rs 1 crore claimed 50-62% of sales**, leaving middle-class options scarce and pushing rents higher.

Inventory & Absorption Metrics

Inventory is defined as the total unsold residential stock lying with developers in India's urban markets. This has remained high in most cities, with leading markets carrying an inventory of approximately **5-6 lakh units** till 2025 due to new launches surpassing sales consecutively.

Key factors behind this imbalance:

1. Supply grew 2% while sales fell 14% YoY
2. Luxury segment overhang - premium homes take longer to sell (18+ months)
3. Tapered buyer demand due to rising interest rates and economic caution
4. Regional variations - Unsold housing stock rose 5% in Delhi-NCR, while Bengaluru led with the highest inventory among top cities, jumping to 23%

Absorption refers to the speed with which these units are sold and is usually measured in terms of months of inventory—that is, the total stock divided by average monthly sales or quarters-to-sell ratio. In a good market, inventory clears up within 6-9 months; **India's residential sector clocks an overall of 17-22 months**, with ultra-luxury segments above Rs 1 crore taking longer than 18 months. For 2025, sales have reached approximately **3,50,000-3,95,000 units** across tracked cities, down 14% from the previous year, while luxury contributed half of the transactions, up 14% Year-on-Year.

This continued imbalance puts a strain on the finances of developers and is a distraction from the urgent requirement of providing affordable housing, even as stronger absorption in NCR and Hyderabad indicates that a certain degree of pricing flexibility can be used to restore the balance

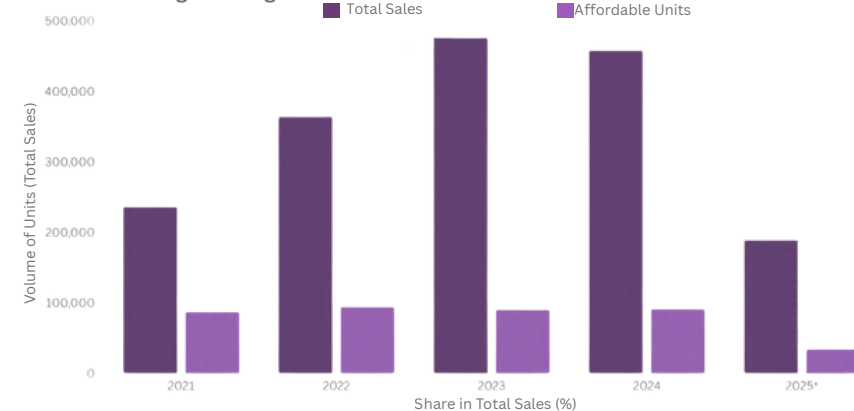
Premiumization and Luxury Units Trend

Premiumization describes the shift where developers and buyers favour high-end housing over basic or mid-range options. In India's urban markets, **luxury units, priced above Rs 1 crore, now make up nearly half of all sales.**

"As affluent buyers prioritise prestige and security in prime urban locations, developers find higher margins in fewer high-value transactions," notes Knight Frank India's 2025 report. In 2025, "luxury segment sales rose 14% over 2024 to 175,091 units, capturing 50% of total sales," while "affordable homes below Rs 45 lakh declined as a share of new supply". "Mumbai, Bengaluru, and Gurgaon lead this shift, with 30-50% of projects now targeting high-net-worth individuals," according to JLL's market analysis.

This altogether shifts the focus of the Indian property market towards the luxury side. Middle-class families, who comprise the majority of the market in big cities, see their available housing options shrinking with the absence of properties below Rs 45 lakhs in the market. Affordable housing in new projects accounted for only 10-15% of the market in 2025, pushing people towards more expensive rents and outer suburbs in cities such as Mumbai, Delhi, and Bangalore, with rental prices rising 8-12% in these cities.

Affordable housing sales lag



Source: ANAROCK Research via The Indian Express.

Challenges

India's urban housing market faces persistent structural challenges that require coordinated action. The formal-informal divide endures alongside K-shaped price recovery, where luxury demand outpaces affordable supply. High unsold inventory signals developers prioritising premium projects over middle-class needs. This is the behaviour of Real estate developers - being driven by lucrative returns from fewer sales of luxury properties, while the stable demand comes from employed individuals. The rising cost of land by 40% catapults the focus on high-end projects, resulting in an imbalance of demand and supply.

Structural Shifts in Urban Housing Market

Chapter 2



Structural Shifts in Urban Housing Demand

Affordability Paradox

As it is already discussed earlier, despite a decade of policy announcements and massive budget allocations, promising ‘**Housing for All**’, affordable housing's share of India's real estate market has crashed from **54%** to just **26%** since 2018. Meanwhile, **luxury housing sales** have surged **53%** in a single year, leaving millions of middle-class families priced out of basic homeownership. This depicts a clear housing **affordability paradox**. On one hand, Urban India has a **high housing shortage**; on the other hand, there is a massive and rapidly **growing stock of vacant houses**.

This paradox examines how consumer purchasing power, often constrained by prevailing **price-to-income ratios**, is further exacerbated by shifts in central bank repo rates, directly impacting borrowing costs and disposable income.

Price-to-income ratios

India's housing affordability is at a **breaking point**. The rising incomes co-exist with unattainable housing prices for large segments of the population, particularly for low and middle-income groups. The price-to-income ratio has risen from **6.6** in 2020 to **8.8** in 2025, exceeding the global affordability threshold of 5, meaning it would take an average household **nearly a decade** of its total savings to purchase a modest 90-square-meter apartment. By comparison, developed countries like the United States and Germany maintain far more accessible housing markets. This affordability crisis mirrors those of other developing nations such as Bangladesh and Sri Lanka.

This gap between income growth and rising house prices points to deeper **systemic inefficiencies** in the housing market, including sluggish supply responsiveness, difficulties in land acquisition, and speculative investment activities that push prices higher than what household incomes can realistically support.

Repo-rate Impact

Monetary policies play a major role in shaping housing affordability through their influence on financing costs. The Reserve Bank of India's (RBI) repo rate adjustments directly affect lending rates offered by banks and housing finance companies, thereby altering mortgage accessibility.

The RBI's decision to reduce the benchmark repo rate by **25 basis points to 5.25% in 2025** was expected to provide further momentum to India's real estate market, particularly residential housing, with the affordable and **mid-income segments** set to benefit the most due to their higher sensitivity to borrowing costs.

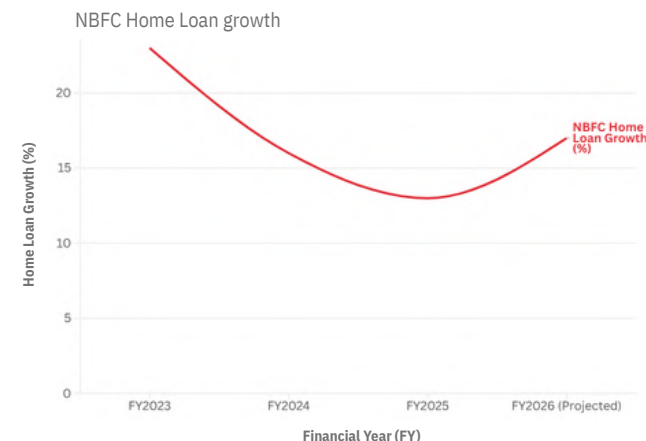
Fintech-Driven Credit Access

In response to these constraints, **fintech innovations** and **Non-Banking Financial Companies (NBFCs)** have emerged as pivotal enablers of inclusive credit access for previously underserved urban households.

- Unlike traditional banks, instead of relying only on formal documents to give a loan, such as salary slips or CIBIL score, fintech lenders make use of alternate data like **utility bill payments, rental histories, digital transaction patterns, and behavioral indicators** to understand a borrower's financial reliability. This enables the lenders to assess the creditworthiness more comprehensively, particularly for individuals with irregular incomes or limited formal credit histories. This has led the first-time buyers, informal workers, and self-employed individuals to enter the housing market.

- NBFC home loans are projected to grow by **15-17% in FY2026**, supported by easing monetary conditions and reforms aimed at formalising financial access. Digital lending platforms further enhance customer experience by reducing processing times, minimizing documentation, and enabling real-time disbursement, thus improving financial inclusion at scale.

However, this expansion comes with risks. In high-priced urban markets, easier credit may lead to over-leverage, especially where affordability remains constrained. Existing subsidies, such as PMAY's interest subsidy, provide limited relief due to price caps that exclude a large portion of urban housing stock.



Source: ANI, (2025, April 24). NBFC's credit growth to moderate to 13-15% in FY25 and FY26 from 17% witnessed in last two fiscals: ICRA. The Economic Times – BFSI.

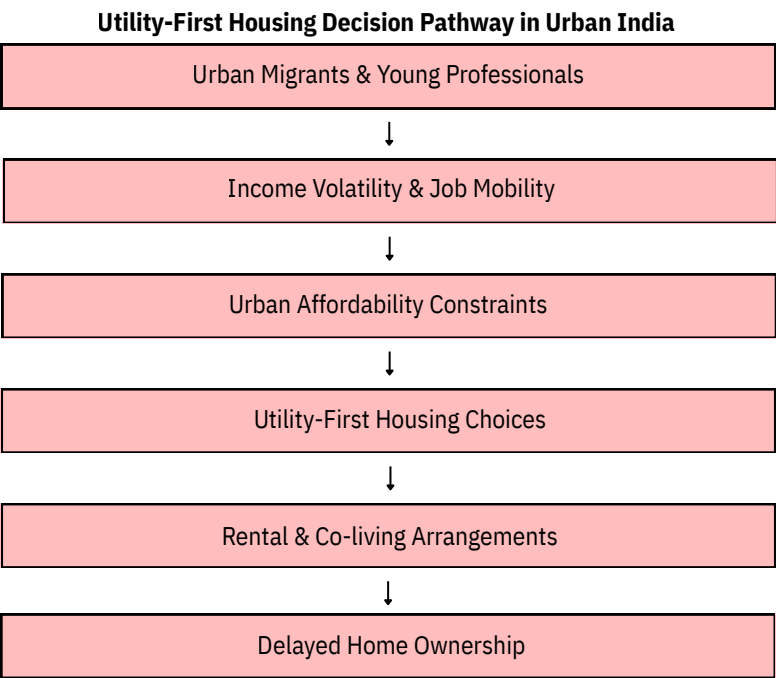
Factors Shifting the Urban Housing Demand

Utility-First Ownership & Co-living

At the same time, **evolving lifestyle preferences**, particularly among young professionals, are reshaping traditional norms of homeownership in urban India.

It’s been observed that the urban consumers are adopting a **utility first-approach** to housing, in which ownership decisions are guided more by practical considerations, such as flexibility, proximity to workplaces, and access to shared amenities, than by the traditional goal of asset accumulation.

Co-living arrangements, particularly in metropolitan cities such as Bengaluru, Mumbai, and Delhi, illustrate this shift toward utility-first housing. These models cater to young professionals by offering relatively **affordable and flexible** living options that emphasise shared amenities and community living. By reducing per-capita space consumption and pooling utilities and services, co-living arrangements lower living costs and improve resource efficiency compared to conventional rentals.



The integration of managed services, co-working spaces, and digital efficiency tools further aligns these models with broader urban sustainability and Smart City objectives.

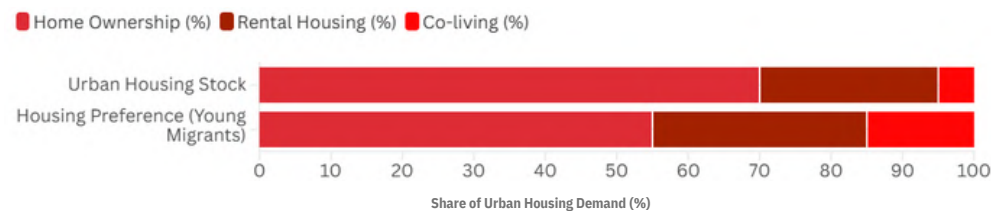
For migrants and early-career workers, co-living acts as a bridge between rental housing and ownership, mitigating overcrowding while accommodating job mobility. However, its growth also reflects postponed ownership decisions, driven by rising prices and income uncertainty.

To most young professionals and migrant workers, the utility-first approach to housing (where flexibility, work accessibility, and reduced initial costs take precedence over traditional ownership ideals) has become a stronger economic advantage than ownership. The consumers in the urban areas are moving towards rentals, short-term lease agreements, and co-living models that integrate shared facilities along with community-based organization.

Government vs Private/Gig Buyers

Urban housing demand in India is increasingly shaped by a clear divide between government-supported buyers and those employed in the private sector or gig economy, reflecting differences in income stability, credit access, and housing preferences.

Urban Housing Demand Composition: Ownership, Rental and Co-living



Source: India Housing Report, (n.d.). Overview of urban house ownership in India.

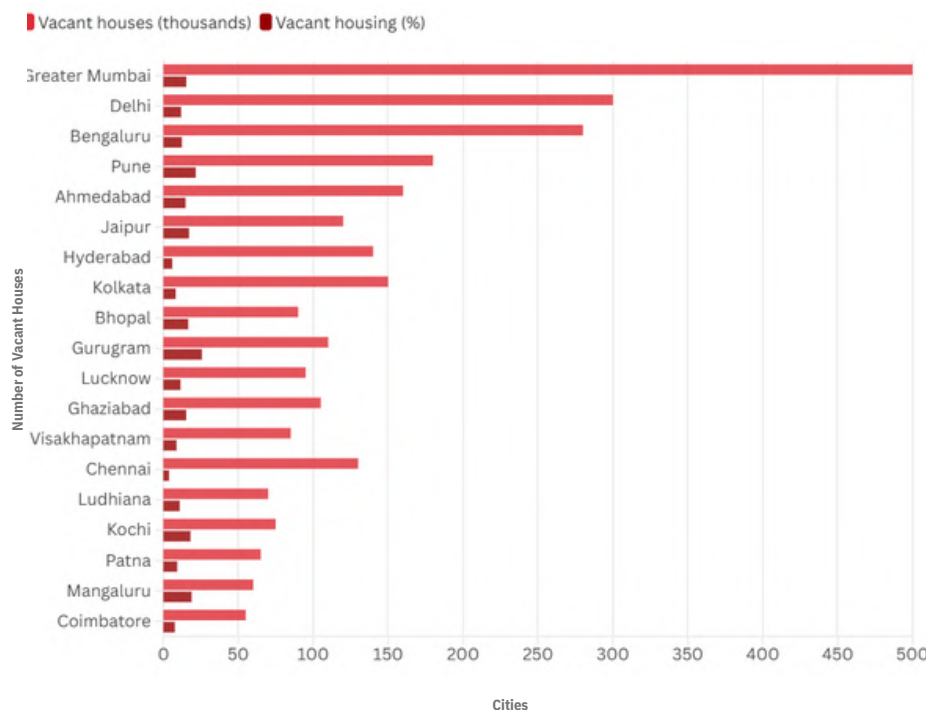
Government initiatives such as Pradhan Mantri Awas Yojana (PMAY-Urban) seek to formalise housing access for economically weaker sections through subsidies and interest-rate concessions. By 2025, the scheme had sanctioned approximately **118 lakh homes**, reflecting the scale of public intervention in urban housing. However, in high-cost urban markets, restrictive price caps and eligibility criteria limit coverage, excluding many potential buyers and contributing to a **17% year-on-year decline** in affordable housing sales. As a result, the intended beneficiaries are often priced out of the very market designed to serve them, widening the gap between supply and effective demand. This structural disconnect forces many low-income families back into unregulated rental markets .

Rising Demand amid Vacant Housing Stock

The profile of government workers is generally more similar to the stable income and easier access to formal credit, and therefore, government workers are more likely to acquire traditional homeownership sooner.

In contrast, private-sector and gig-economy workers, including freelancers, platform workers, and entrepreneurs, face distinct housing challenges due to income volatility and the absence of employer-backed financing guarantees.

Vacant housing of the total residential census houses in cities (in %)



Sreevatsan, A. (2018, January 31). Only 28% of urban India lives in rented houses: Economic Survey. Livemint.

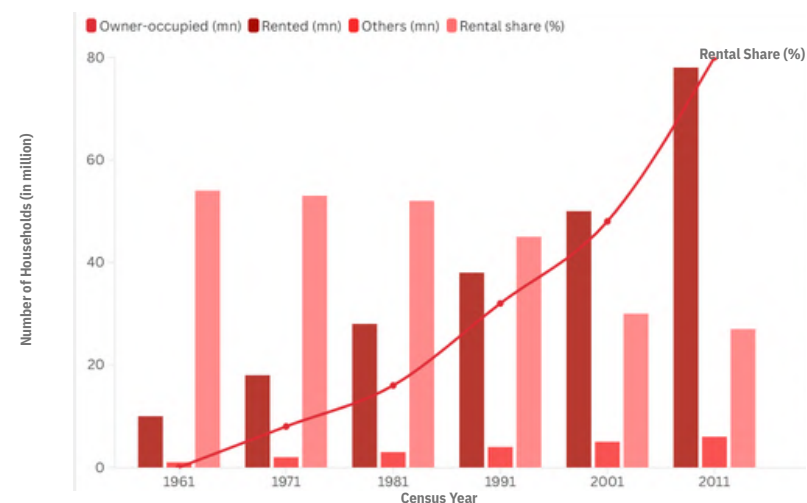
A substantial number of houses remain vacant across cities, highlighting a growing mismatch between housing supply and actual occupancy. Despite increasing urban demand, many residential units continue to lie unused, raising concerns about inefficiencies in urban housing markets and access to affordable living spaces.

Although this group, estimated at around 7.5 million urban workers, constitutes a growing share of the urban workforce, irregular earnings and limited recognition under formal labour laws restrict their access to conventional housing finance. As a result, their housing choices increasingly favour **rental housing, smart rentals, and job-linked accommodation models**. While digital financial ecosystems and recent policy initiatives such as **e-Shram registration and insurance coverage** aim to improve income security and economic inclusion, their long-term impact on homeownership demand remains uncertain.

Challenges in the Housing Market

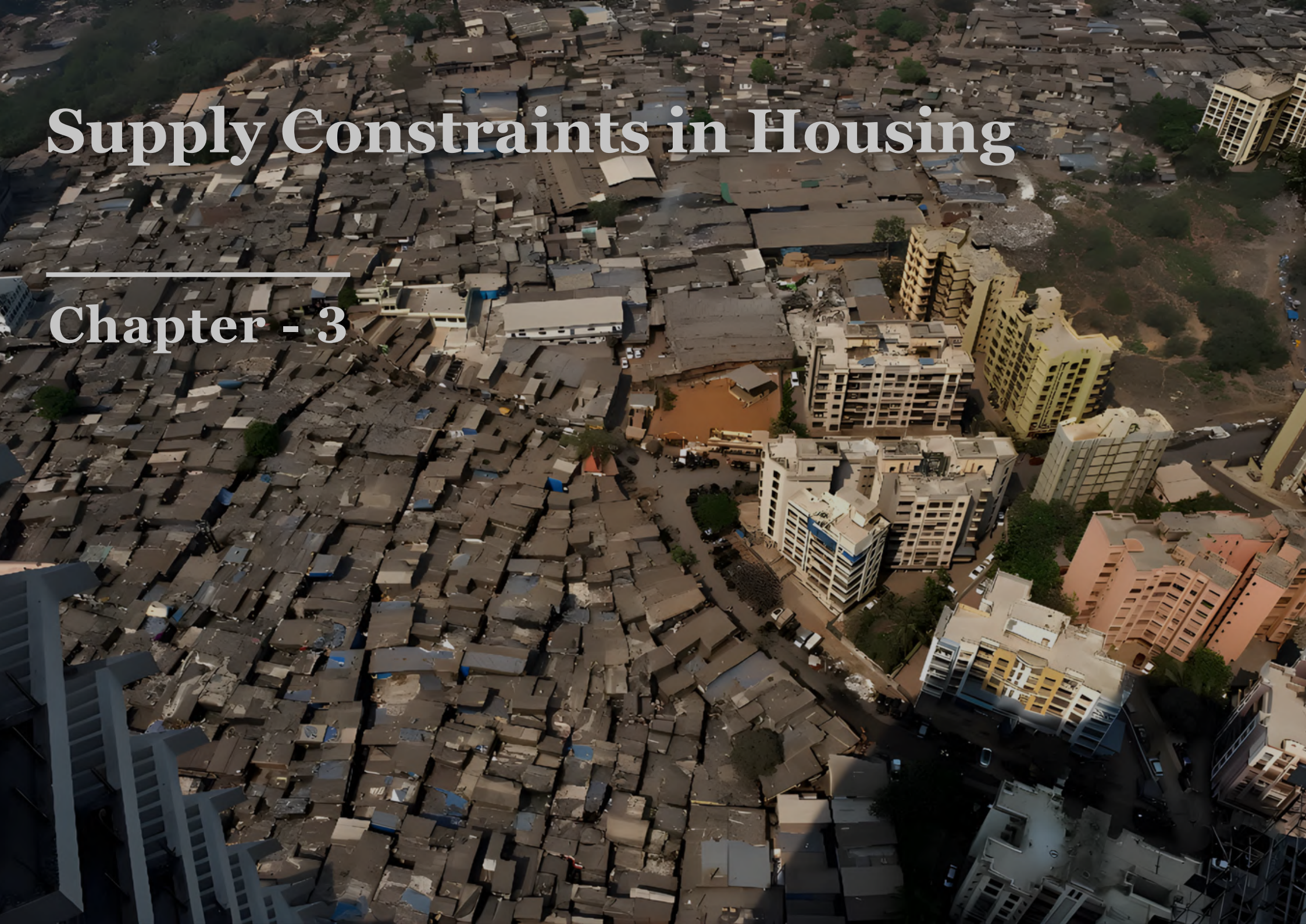
India's urban housing demand remains strong, but its composition and patterns have changed. The emerging consumer mindset is shaped by several factors: persistent affordability pressures, expanded but sometimes imperfect access to credit, practical lifestyle choices such as co-living or flexible rentals, and the diversity of employment types ranging from formal salaried jobs to gig and self-employed work. These factors indicate that the challenge for the housing market is not a lack of demand, but rather ensuring that housing supply, financing options, and government policies are structured in a way that matches the realities of urban incomes, job stability, and household needs.

The Rental Housing as a share of the overall Urban Housing Market in India



Sreevatsan, A. (2018, January 31). Only 28% of urban India lives in rented houses: Economic Survey. Livemint.

Supply Constraints in Housing

An aerial photograph of a city landscape. The left side of the image is dominated by a vast, dense informal settlement with a sea of dark, flat roofs. To the right, several modern, multi-story apartment buildings with balconies and varied facades (yellow, orange, white) stand in contrast. A muddy brown pond or construction site is visible in the center, between the informal settlement and the modern buildings. The overall scene illustrates the stark contrast in housing quality and density, a key theme in the chapter.

Chapter - 3

Land Constraints Created By Government Policy

Zoning Constraints on Housing Supply

Zoning laws in India divide cities into different land-use categories such as residential, commercial, industrial, and road or utility areas. While the aim is planned development, these rules often restrict residential construction across large parts of cities.

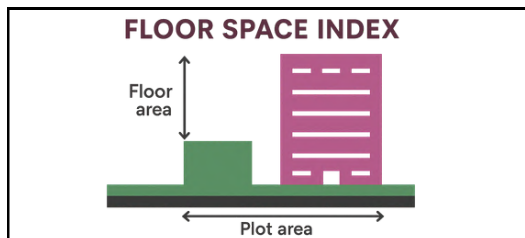
Because housing can only be built in limited zones, the total land available for residential use is reduced, even in cities that are geographically large. This creates an artificial shortage of housing land in areas that are well connected and close to jobs. As a result, land prices rise, and building affordable housing in central locations becomes financially difficult.

Floor Space Index and Urban Land Underuse

The Floor Space Index (FSI), also called Floor Area Ratio (FAR), decides **how much construction is allowed on a plot of land**. It is calculated as:

$$\text{FSI} = \text{Total Built-Up Area} / \text{Plot Area}$$

For example, an FSI of 1.5 means that the total built-up area can be one and a half times the plot size. When FSI limits are kept low, land is not used efficiently, and fewer housing units are built on the same amount of land.



FSI is officially used to control density and manage pressure on infrastructure. However, very low FSI in high-demand cities directly reduces housing supply. **When demand keeps rising but supply is limited, prices increase and affordability declines.**

Policies such as land pooling and re-zoning exist to improve land use, but they are not applied evenly. Delays, administrative issues, and speculative pricing often reduce their impact.

Government Hesitation on FSI Expansion

Governments usually give two main reasons for keeping FSI low:

1. First, there is concern that **higher FSI will reduce housing prices** and encourage migration from villages to cities. This could increase pressure on already crowded cities and strain existing infrastructure.
2. Second, **high property prices generate more revenue** through stamp duty, registration charges, and property taxes. If FSI increases and prices fall, government revenues from real estate may decline.

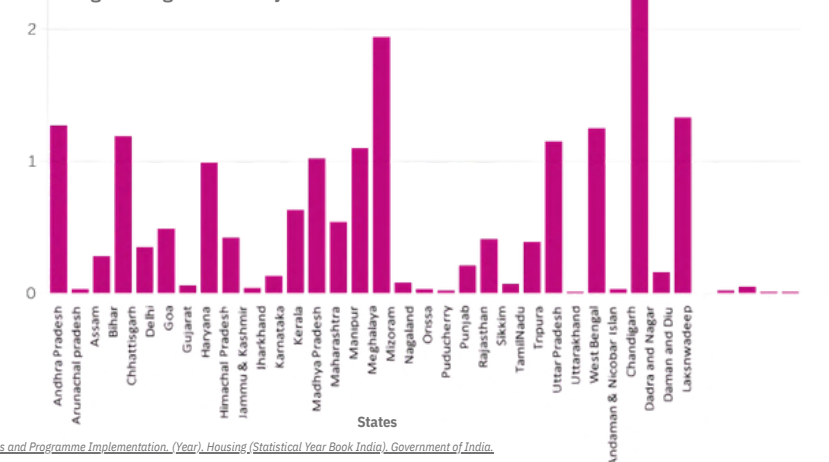
These reasons explain the policy stance, but the outcome is a continued restriction on housing supply, especially in the affordable and mid-income segments.

Shadow Economy and Housing Supply

Real estate has long been a channel for unaccounted income in India. Studies of property transactions in major cities suggest that black money can account for a large share of the actual transaction value.

Unaccounted cash increases property prices beyond what normal demand would justify. It acts as an extra source of money in the housing market, separate from formal loans and income.

Distribution of Housing Shortage across major States



Ministry of Statistics and Programme Implementation, (Year), Housing, (Statistical Year Book India), Government of India.

Land Constraints Created By Government Policy

Circle Rates and Price Distortion

Circle rates are the officially declared values used for property registration and tax calculation. In many cases, these rates are much lower than actual market prices.

The difference is often paid in cash to reduce taxes. This allows black money to enter the real estate system while pushing up effective prices. **Middle-class buyers** who depend on formal financing are at a disadvantage, as they cannot compete with buyers using **unaccounted cash**. This reduces real access to affordable housing even when homes are technically available.

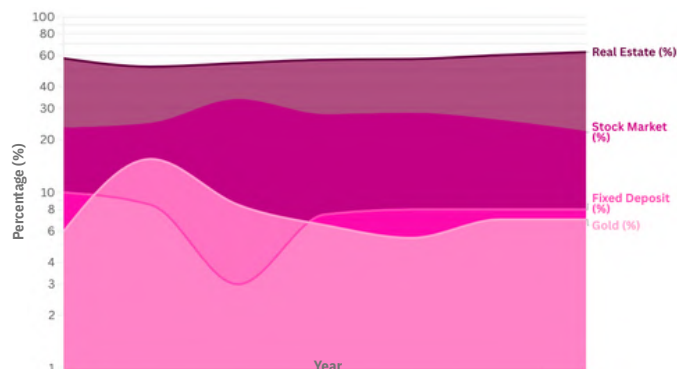
Housing as an Investment Beyond Living

A growing share of housing demand comes from investors rather than people buying homes to live in. Around one-third of buyers now approach housing mainly as an investment. Rental income is the main reason for these purchases.

Many investors expect stable rental returns, especially in large cities where migration for jobs continues to rise. Other reasons include long-term wealth creation and future price appreciation. Cultural preference for owning property also supports this trend.

When **homes are bought mainly for investment, supply is absorbed without meeting real living needs**. This tightens availability for first-time buyers and middle-income households.

Best Classes for Investment



Anarack Property Consultants, (2025), Homebuyer Sentiment Survey: H1 2025.

Shift of Supply Toward Luxury Housing

Developers are increasingly focusing on luxury and premium housing, especially in cities like Mumbai and Bengaluru. Market reports show strong growth expectations in the luxury segment.

Luxury projects offer higher profit margins and faster recovery of investment. With limited land and complex approval processes, developers prefer projects that reduce financial risk. As a result, available land is used for high-end housing instead of affordable homes.

Even when **total construction increases**, the type of housing being built does not match the income levels of most urban households.

Infrastructure Challenges

To keep prices lower, developers often move affordable projects to the outskirts of cities where land is cheaper. However, these areas usually **lack proper infrastructure**.

Common issues include poor transport links to job centres, limited public transport, unreliable water and sewage systems, and lack of schools and healthcare facilities.

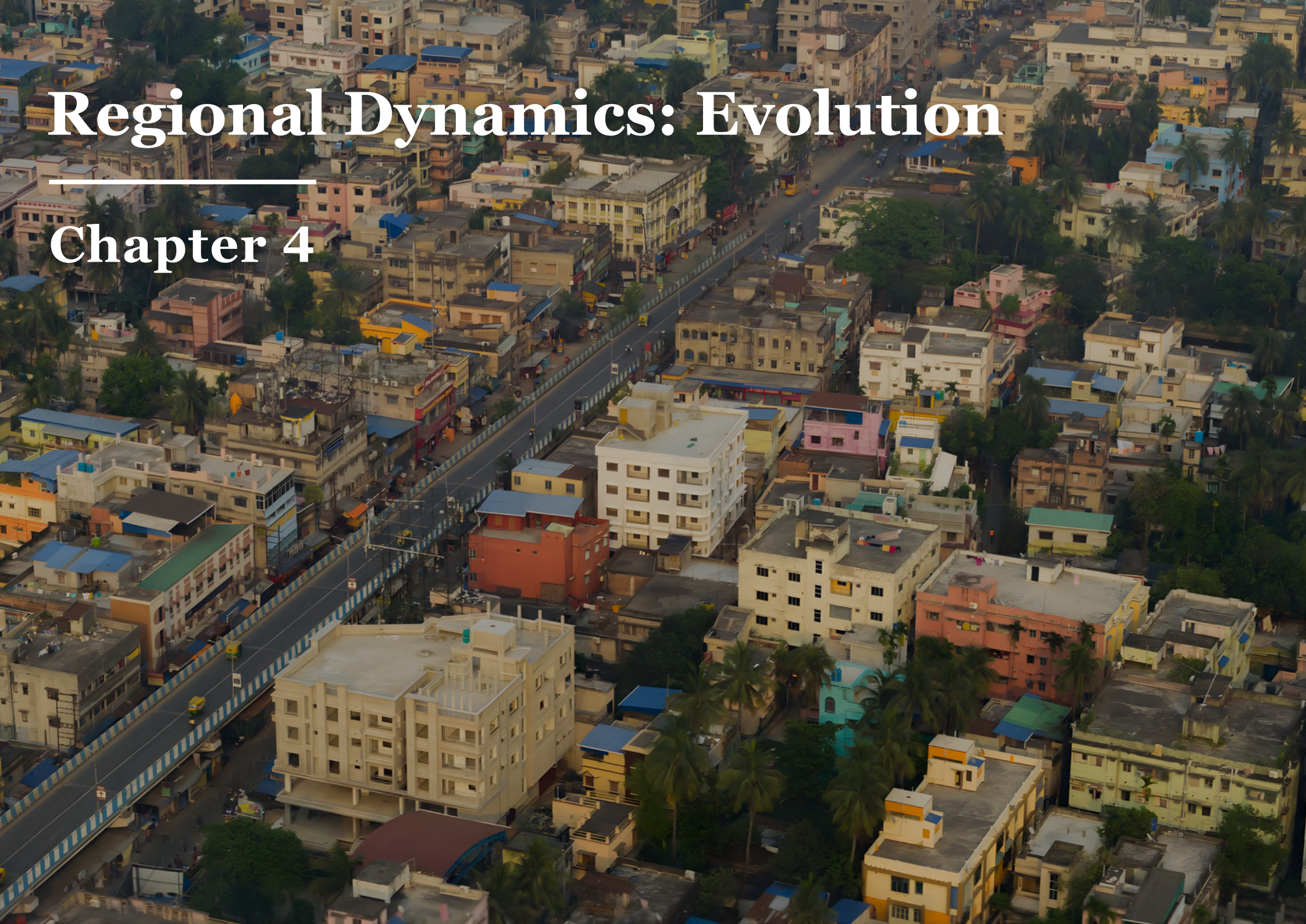
Although homes in these areas are cheaper, weak living conditions reduce their long-term appeal. This limits the effective supply of affordable housing in functional urban areas.

Regulatory and Approval Bottlenecks

Affordable housing projects also **face delays** due to complex approval processes. Developers must obtain multiple permissions from different government departments before starting construction.

Single-window clearance systems have been introduced in some states, but they are often only partly digital and still depend on manual approvals. These delays increase project costs and push developers toward luxury housing, where higher margins can absorb such risks.

To truly address these challenges, a **comprehensive and streamlined** approach to approvals is needed. By fully digitising the process and reducing bureaucratic hurdles, developers would be more inclined to invest in affordable housing projects, ultimately benefitting middle-income and first-time buyers.



Regional Dynamics: Evolution

Chapter 4

Regional dynamics: Evolution

Tier-1 vs. Tier-2 Shift

India’s housing market has shifted from broad-based city growth to a more selective, micro-market-driven expansion. Tier-1 markets such as Gurgaon and Mumbai operate at high base prices and are increasingly segmented by affordability and corridor level performance. At the same time, Tier-2 markets like Jaipur, Indore, and Lucknow are witnessing stronger end-user participation due to lower entry prices, improving connectivity, and a steady expansion in residential demand.

Tier-1 cities face soaring prices (**₹6k-9k/sq ft**), meaning affordability increases for high-end buyers, but middle-income buyers are squeezed.

Tier-2 cities like Jaipur and Indore, on the other hand, have to catch up on infrastructure, have a limited supply for high-end (**down 35% Q1 2025**), and might have scaling issues for premium demand over rapid volume growth (**11%+**).

Category	Tier 1 Cities	Tier 2 Cities
Affordability	High property prices, often requiring loans.	Affordable housing with lower price points.
Infrastructure	Well-developed infrastructure and amenities.	Rapidly improving but still evolving.
Job Opportunities	Abundant due to presence of MNCs and industries.	Limited opportunities, often localized.
Cost of Living	High, including utilities and daily expenses.	Comparatively low cost of living.
Growth Potential	Mature market with limited growth scope.	Immense potential for development.

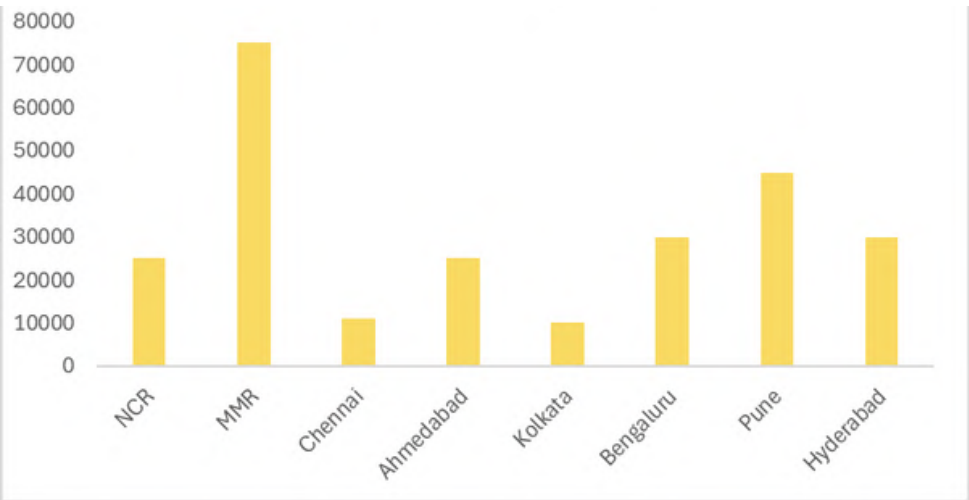
Tier-1 Snapshot

Tier-1 markets have consistently posted excellent figures on the sales front, even as prices shot up sharply across key corridors. For instance, Tier-1 performance supports their robust transaction value despite price escalation, with sales value reaching **₹3.6 lakh crore in H1 2025**, a YoY increase of 9%. Meanwhile, price appreciation in many Tier-1 corridors continues to shift buyer interest upward, creating a limitation on mid-income parts of buyers not being able to participate at the same rate.

In fact, Tier-1 has started behaving like two markets within a single city. Those premium pockets still hold their demand strength, while overbuilt corridors and highly investor-heavy zones present longer cycles in inventory clearing along with wider negotiation margins.

This segmentation will be best illustrated by **Gurgaon and Mumbai**, both examples of Tier-1 markets with the largest differences between their drivers and supply mechanics. Gurgaon, often hailed as the millennium city, has seen its real estate market evolve into a dynamic blend of luxury and corporate appeal. The influx of multinational corporations and the **expansion of IT hubs** have significantly shaped demand, particularly in high-end residential and commercial sectors.

Units Sold in Major Cities



Source: <https://realtymore.com/housing-market-in-tier-1-cities-witnessed-strong-demand-in-h1-cy25-%E2%82%B93-6-lakh-cr-sales-report/>

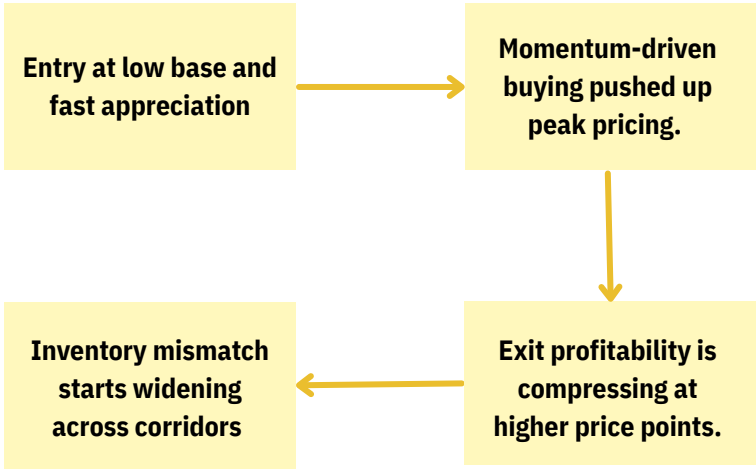
Gurgaon: The Investor Exit Wave

Gurgaon: The Investor Exit Wave

Gurgaon’s price cycle has been among the steepest across India’s Tier-1 markets. Between 2019-2024, prices have moved from ₹7500 per sq ft to ₹19,500 per sq ft, reflecting an approximate 150% jump in a short cycle. This surge was driven by corridor expansion, pre-launch activity and investor-led momentum and has sparked a mixed sentiment among stakeholders.

Micro-Market	Avg Price (₹/sq ft)	2025 Avg Price (₹/sq ft)	Growth %
Golf Course Ext. Road	₹12,000 - ₹14,000	₹25,000 – ₹35,000	>100%
Dwarka Expressway	₹5,300 - ₹6,000	₹11,000 – ₹18,668	>200%
New Gurgaon	₹4,500 - ₹5,500	₹8,000 – ₹12,500	>120%
Sohna Road	₹6,000 - ₹7,000	₹10,500 – ₹14,000	>85%

While early investors have reaped significant rewards, new entrants face challenges in identifying value buys amidst soaring costs. The city's infrastructure growth, particularly along the Dwarka Expressway and Golf Course Extension Road, has been a major catalyst in this price evolution. These areas have seen not only residential but also commercial developments, drawing both businesses and residents seeking proximity to the capital. However, with prices reaching their zenith, the focus might shift toward more sustainable growth models. Looking ahead, Gurgaon's real estate market is poised for a phase where strategic planning and careful investment decisions will be crucial. As the city continues to expand, the potential for new growth corridors remains, but the dynamics of supply and demand are expected to dictate the pace and pattern of future developments.



Mechanism

- Entry at low base and fast appreciation**
Investors entered during the 2021 pricing window of roughly ₹7,000–₹13,000 per sq ft, and many saw 2-3x gains by 2024-25 in selected belts.
- Momentum-driven buying pushed up peak pricing.**
Pre-launch inventory trading and bulk underwriting created an artificial scarcity effect, leading to rapid annual appreciation in the range of 15-20%.
- Exit profitability is compressing at higher price points.**
Once it approaches a ceiling near Rs 20,000 per sq ft, upside margins begin to diminish drastically due to transaction costs and holding charges, which tends to reduce investor motivation for holding it.
- Inventory mismatch starts widening across corridors**
Even where absorption looks stable (around 55-65% in some growth pockets), a growing resale pool begins to compete with new supply, stretching the time-to-sell.

Mumbai: Redevelopment-Led Transformation

Implications

Gurgaon does not follow a standard pattern of crash but a segmented reset. Premium locations supported by HNIs and NRIs tend to hold their ground better against price floor, while supply-heavy corridors tend to see much tougher negotiations, leading to reduced liquidity. In overall terms, this city reflects a broader Tier 1 pattern: growth continues, but it is no longer broad-based and corrections emerge first through resale markets rather than official price revisions.

MUMBAI: The Redevelopment-Led Supply Paradigm

Mumbai's real estate remains expensive through redevelopment economics, Slum Rehabilitation Authority (SRA) and Maharashtra Housing and Area Development Authority (MHADA) that throws up supply while high premium demand on scarce land keeps prices at an exorbitant level.

The Mumbai real estate market has continued to perform well in 2026 with the middle-class prices touching **₹40,000-50,000/sqft** and registering an annual mark of more than 1.5 lakhs, which is 25% more than the previous year. On the roof of those numbers, the market is projected to appreciate by **6-8%**, supported by redevelopment supply, which would cost around **₹1.3 lakh crore by 2030**.

Redevelopment Engine

Contrary to Tier-1 cities expanding through new corridors, Mumbai "manufactures" supply by redevelopment of existing slums (**12% of land**) and **16,000-plus** dilapidated cessed structures. Developers fund the rehabilitation of tenants in exchange for saleable premium components, thus creating inventory without acquiring fresh land.



Slum Rehabilitation Authority (SRA)

SRA (Slum Rehabilitation Authority) is Mumbai's mechanism for redevelopment aimed at converting slum areas into formal housing. Developers provide rehabilitation homes to eligible residents and earn development rights to build and sell additional units, making SRA a key contributor to Mumbai's redevelopment-led supply. SRA's aim is to cover 6.5 million slum-dwelling populations in over 1,700 settlements. Developers give free 300 sq. ft. carpet flats to eligible residents prior to the year 2000, and get back the FAR of about 2.5-3.0 in total.

MHADA (Maharashtra Housing and Area Development Authority)

MHADA (Maharashtra Housing and Area Development Authority) is the state housing body responsible for affordable housing and redevelopment of old residential stock in Mumbai. It supports planned housing supply through government-led schemes, eligibility-based allotment, and redevelopment initiatives. MHADA aims to redevelop such pre-1940 cessed properties (Island City) and BDD chawls.

Absorption Dynamics

The redevelopments provide 20,000-25,000 premium units every year, with somewhere between 65% and 75% absorbed after a period of 12 months, the South Mumbai/Bandra-Worli area boasted a success much above the city average of 55%. Q4-2025 witnessed the launch of 15,771 units (26% luxury), which have all been absorbed in prime corridors by salaried HNIs (homes priced above ₹2Cr), who are addressing value of address rather than their price sensitivity.

Reasons

Why HNIs Invest in Redevelopment Stocks

Mumbai houses 25% of India's richest: anyone earning ₹2Cr+ a year. Redevelopment gives developers 51% of the flats to sell as ₹4-10Cr luxury apartments exactly what these rich families want in posh locations. Last quarter, 78% did not go to speculators but bona fide homebuyers (bankers, tech execs).

Growth of Tier 2 Cities

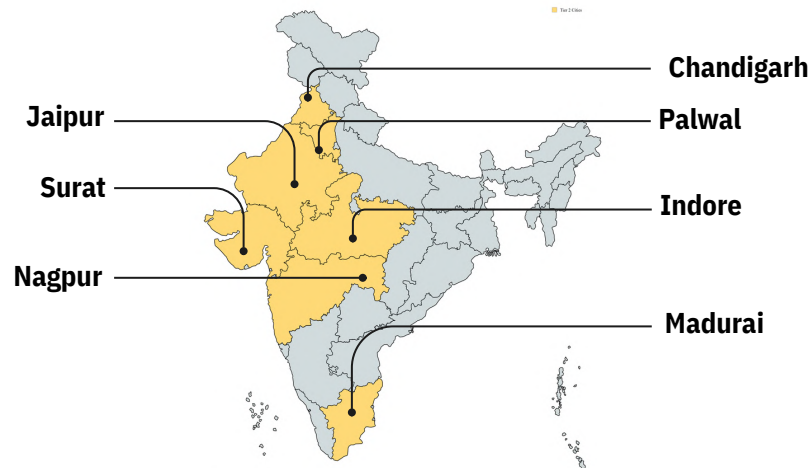
Rents rise 1-2% at intervals of every few months (₹250-350/sqft in Bandra-Worli). This essentially guarantees steady income, much to the owners' happiness, preventing any urgency to sell even during temporary price corrections.

Land Rules Keep Prices High

Only 1% of Mumbai land is allowed for new constructions. Redevelopers are obligated to hand over half their project to slum dwellers/old tenants free of charge, which requires selling their remaining half at ₹60k+/sqft merely to break even. The supply at new prices only caters to the affluent buyers while never inundating the budget market.

TIER 2 CITIES GROWTH

Improved infrastructure connectivity, expanding employment hubs and a steady supply of mid-income housing are shifting homeownership demand away from core metro cities towards Tier-2 and Tier-3 markets such as Chandigarh, Jaipur, Surat, Madurai and Palwal. These cities recorded an 81% year-on-year growth in home loan volumes in 2025, outpacing the 52% growth seen in Tier-1 cities, according to a report by fintech-led mortgage distribution platform Urban Money.



There are clear reasons why homebuyers and investors are now considering smaller cities:

- Better affordability: Homes in Tier-2 cities are far cheaper compared to metros.
- Job opportunities: With IT parks, startups, and manufacturing units moving in, jobs are no longer limited to metros.

- Improved infrastructure: Highways, airports, and metro projects are making these cities more connected.
- Lifestyle shift: People now prefer less crowded cities with lower living costs but still want modern facilities.

Challenges In Tier 2 Cities

Smaller Premium Base

Buyer base for premium housing in tier-2 cities is very less because although the IT hubs, industries etc. are growing in Tier-2 cities, the people still depend on Tier-1 cities for high-end salaries. So, most of the people in these cities do not have enough income to buy the high-end housing.

Infrastructure not fully developed

The infrastructure in these cities is still developing and therefore:

- Premium buyers hesitate.
- Developers are cautious about launching luxury projects.
- Prices can't rise too fast without better city support.

A practical way to interpret this is that a ₹2-3 crore home feels naturally justified in Gurgaon because office clusters, metro connectivity, hospitals and ecosystem maturity already exist.

In Tier-2 cities, the same ticket size requires stronger supporting infrastructure before it becomes widely accepted by the market.

Reverse Migration Wave

Over the due course of remote and hybrid work in recent years, professionals have found a reduced need to simply dwell in Tier-1 cities for the sake of work access. This has led many workers to either return to their hometowns or shift to Tier-2 cities with better lifestyles and affordable housing. This, in turn, has caused a demand for larger homes, gated communities, and improved community infrastructure in the Tier-2 markets. Most importantly, the demand from Tier-1 is not being "replaced", but forced migration-based demand is being reduced and instead putting real estate in Tier-2 stronger through more end-user led consumption. This decentralization of demand is narrowing the valuation gap between metropolitan and non-metropolitan regions, fostering a more balanced national real estate ecosystem.

Reverse Migration: Structural Shift

Prominent Factors Driving Reverse Migration

1. Digital Infrastructure and Work-From-Anywhere

India's Digital Public Infrastructure encompasses Aadhaar, UPI, DigiLocker, FASTag, CoWIN, ONDC, and is regarded as a global model. With cheap data and nationwide 4G/5G coverage, work no longer requires physical presence in cities.

2. Rise of Tier-2 and Tier-3 Cities

Cities such as Lucknow, Jaipur, Coimbatore, Surat, Nagpur, and Indore have already become new growth hubs. They provide better infrastructure, lower costs of living, and new job clusters.

3. Rural Startups and Agri-Tech Revolution

Agri-tech is transforming the agriculture sector - e-commerce for farm produce, drone spraying, precision farming and digital marketplaces are empowering rural youth.

4. Quality of Life and Mental Wellness

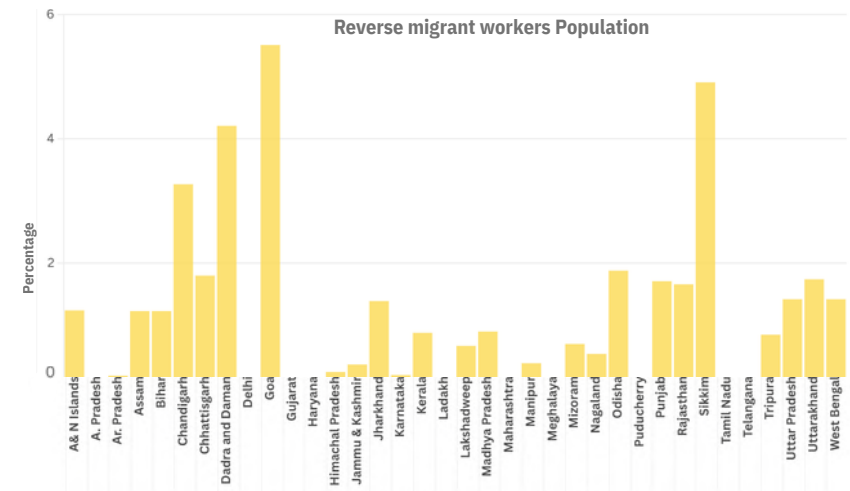
Unliveable conditions in urban areas are being characterized by chaos, pollution, high cost of living, and long-distance commutation. Present-day lifestyles favour safety, cultural belonging, space, and community life in a backdrop.

5. Government Push for Localisation

Programs like PM-Gati Shakti, rural industrial clusters, MSME hubs, textile parks, and Agri-Processing Zones are deliberately decentralising development. District-level skilling missions, digital banks, and rural BPOs are creating jobs at the doorstep.

Implication

Reverse migration has impacted the shift of housing preference. It forces buyers in Tier-1 cities to choose from some of the highest prices and also from smaller units which have longer commutes. On the contrary, homes in Tier-2 cities tend to be bigger for a much lower ticket size, giving buyers an option to upgrade their lifestyle, which is usually reflected in the higher demand for 2.5/3BHK units, gated communities, plotted developments, and amenity-rich societies. Besides, reverse migration is also responsible for the building of supporting ecosystems such as better retail formats, education infrastructure, healthcare, and even the emergence of co-working spaces which add to the attractiveness of these markets, in Tier-2 cities.



Source: <https://www.isec.ac.in/wp-content/uploads/2023/07/WP-531-Marchang-Reimeingam-Final-1.pdf>

Implication on Market Outlook

This Tier-1 and Tier-2 shift signals that India's housing market is entering a **multi-speed structure**. Tier-1 markets are becoming more segmented, where premium micro-markets remain resilient but investor-heavy corridors face corrections and longer inventory clearing cycles. Gurgaon highlights that price-cycle and investor-exit risk, while Mumbai highlights how redevelopment economics and scarcity continue to support premium absorption despite high base prices.

Tier-2 markets, on the other hand, are entering a **structural expansion phase**, supported by affordability, finance led growth, connectivity upgrades and lifestyle driven relocation. Even with constraints in premium depth, the broad end user base makes Tier-2 demand structurally stronger and less speculative.

For developers, this shift implies tighter product-market fit. Tier-1 success increasingly depends on **differentiation, execution reliability and micro-market selection**. Tier-2 success depends on scalable mid-income housing supply, ecosystem-building, and gradual premium expansion as incomes and infrastructure mature.

Overall, the next cycle of opportunity will be defined not simply by the city category, but by corridor fundamentals such as **connectivity, supply pipeline, end-user absorption and pricing sustainability**.

India's Short-Term Rental Landscape & the Platform Economy

Chapter 5



India's Short-Term Rental Market

Short-Term Rental Landscape

Residential units rented for brief stays (days to weeks or months), outside long-term lease contracts, typically facilitated through digital platforms, define short-term rentals (STRs) in India.

- STR platforms monetize underutilized residential capacity by connecting property owners with transient demand from tourists and migrants, sparking ripple effects as guests spend locally on meals, rides, and everyday needs.
- The vacation rental market reached **USD 2.39 billion in 2025**, reflecting domestic tourism recovery post-pandemic with a projected **7.71% CAGR** driven by platform penetration rising from **3.8% to 5.4% by 2029**. Such access helps workers shift cities without long leases, bringing income boosts where places lack hotels.

Demand drivers (2020–2026)

- As global trips slowed under pandemic rules, more people in India turned to nearby spots for holidays. By 2024, India recorded **2,948.19 million** domestic tourist visits, representing a **17.51%** increase over the **2,508.82 million** visits in **2023**. This followed a massive recovery of **155.45%** in 2022 and **45.04%** in 2023.
- Coastal towns saw crowds too, drawn by better wages and campaigns like Dekho Apna Desh. Local festivals began drawing visitors keen on brief getaways. Events such as the Shimla Cultural Festival pulled guests looking for quick breaks. The Pushkar Fair added similar appeal around festive season.
- A shift unfolded during the pandemic, remote and hybrid roles became common. Instead of staying put, some city-based workers move elsewhere for weeks at a time. Locations like Goa or mountain areas see more visitors who come not just to rest but also to log on. Companies sometimes pay for teams to gather in resort settings. These trips spark rental demand when tourism would normally slow down.
- Travel for health care fuels temporary stays - patients head to places like Kerala or Tamil Nadu, seeking treatment. These shifts bring a steady need for rented rooms over brief periods. Often, newcomers do not settle right away into long-term homes.

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- Example: Hornbill Festival (Nagaland, Dec 1-10) saw visitor footfall surge **4.1%** from **205,968** visitors (2024) to **214,493** visitors (2025), straining Kohima's limited hotel inventory (under **2,000** rooms) and driving STR bookings in Dzukou Valley homestays and Kisama Heritage Village clusters.

Traditional Naga dancers perform at the Hornbill Festival



Landlord's Logic

Owners choose between long-term rentals (LTRs) and short-term rentals (STRs) by weighing net returns, flexibility, and risk. STRs can generate higher gross income through premium nightly rates in high-demand markets, but profitability ultimately depends on occupancy levels, operating costs, and upfront furnishing investments. They offer greater flexibility, allowing owners to reclaim or sell properties more easily than fixed-term leases, though this comes with higher operational intensity and exposure to platform policies, neighbourhood resistance, and regulatory changes. LTRs, in contrast, provide income stability through fixed contracts and security deposits, cushioning short vacancy periods, but reduce flexibility and can constrain owners under rent regulation and maintenance obligations. As a result, the relative attractiveness of STRs hinges on achieving breakeven occupancy rates that offset higher volatility and carrying costs.

India’s Short-Term Rental Market

Goa: Tourism-Led STR Expansion

Goa received **10.8 million** tourists in 2025 (**10.28 million** domestic, **518,000** foreign), surpassing 2019 levels amid **70-100%** hotel occupancy rates tracked via state Tourism Information Management Enterprise systems. Limited formal capacity with only **5,369** rooms necessitated STR absorption of winter season surges (November–February), when charter arrivals from diverse markets like Poland and Uzbekistan compounded domestic demand. Platforms served as demand buffers for underutilized villas and guesthouses during peak periods without evidence of long-term housing displacement, as monsoon idleness preserved residential availability.

Bengaluru: Job Mobility and Housing

Bengaluru's IT and services migration despite **2024-2025** layoff cycles sustains STR demand near tech parks like Whitefield and Koramangala, where corporate short-stay needs arise during relocations and project assignments. These units function as temporary bridges to permanent leases rather than long-term substitutes, exhibiting stable occupancy decoupled from seasonal tourism patterns. Employment-linked volatility underscores STRs' role in labour mobility without converting residential stock permanently.

The Premiumisation Shift

A pivotal transformation in India’s urban housing landscape is the "Premiumisation" trend, where residential units priced above **INR 10 million** have moved from a niche category to the market's primary driver. In H1 2024, premium housing accounted for 41% of total sales across the eight major cities covered (Mumbai, NCR, Bengaluru, Pune, Hyderabad, Ahmedabad, Kolkata, and Chennai), representing a **51% year-on-year** growth, while the affordable segment (units below INR 5 million) continued a multi-quarter deceleration. This shift toward high-ticket assets reflects a fundamental change in consumer preference toward "experiential living" and lifestyle-oriented products. For platform operators, this trend is strategically vital; premium assets are inherently more conducive to short-term rental models due to their superior amenity profiles and high-quality construction. As developers pivot to meet this demand, with the premium segment now comprising **47%** of all new launches the market is effectively being re-populated with inventory that is better suited for managed-living platforms than for traditional, long-term affordable tenancies. This structural realignment ensures that the housing supply of the **2020-2026** period is increasingly treated as a high-yield service rather than a static commodity.

Rise of Serviced Living & Managed Rentals

Co-living and managed rentals represent structural evolution addressing student migration (43 million higher education enrolments 2021–22, hostels covering ~4 million) and young professional mobility in supply-constrained metros. Co-living inventory, meanwhile, stands **at around 0.3 million** beds only, translating into a penetration rate of about 5%. Given the intrinsic nature of demand, leading operators are in an expansionary mode. As the co-living inventory is set to reach close to **1 million beds by 2030**, penetration rates can significantly improve from **5% to over 10%** by the end of the decade.

Factors	Serviced/Co-living	Traditional Renting
Target user	Young singles/students; short-stay professionals seeking flexibility	Families or settled tenants preferring privacy and control
Contract length	Flexible (months to 1 yr; some allow 30-day cancellation)	Fixed (usually 11-24 months)
Pricing structure	All-inclusive monthly fee (rent + utilities + Wi-Fi + amenities)	Rent + separate utilities; large security deposit (often 6-12 months’ rent)
Included services	Furnishings, maintenance, housekeeping, wifi, community events	None (tenant handles furnishing and all upkeep)
Upsides	Convenience, community, flexibility, zero move-in hassle	Full control of space, fixed tenure security, no shared common usage
Downsides	Less privacy, dependency on operator quality, rules on guests	Rigidity (hard to exit lease), burden of maintenance and upgrades

STR Regulations & Airbnb in India

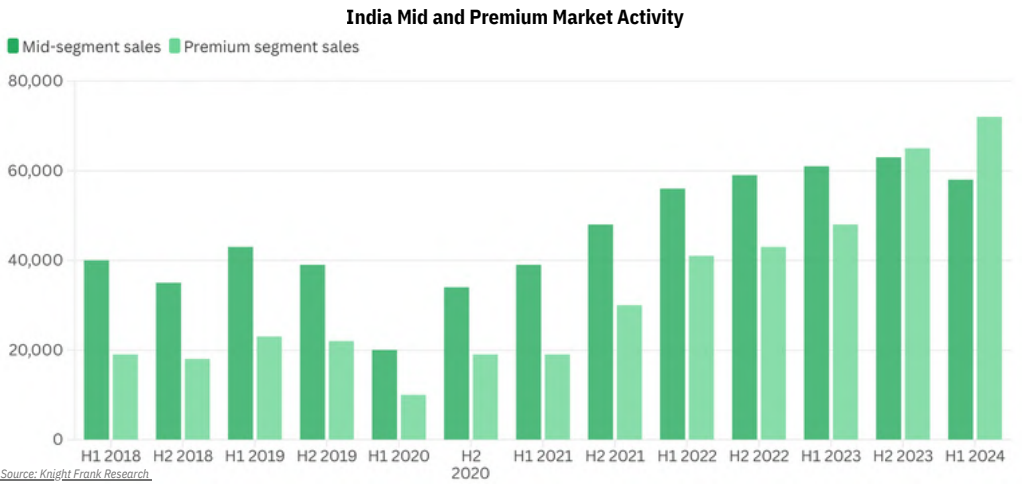
State-Level Regulations Affecting Short-Term Rental Supply in India

Policy / Scheme	State / Scope	Accommodation Type	Operating Condition	Implication for STR Supply
Atithi Griha Awas Yojana (AGAY)	Uttarakhand	Homestays	Owner must reside; ≤6 rooms	Enables small-scale STRs but caps commercial expansion
Homestay & B&B Policy	Goa	Homestays / B&Bs	Owner residence; simplified approvals	Facilitates STR penetration in tourism micro-markets
Homestay Classification	Kerala	Residential homestays	Mandatory owner residence	Restrains informal STR supply
Serviced Villa Classification	Kerala	Serviced villas	Staff residence if owner absent	Allows quasi-hotel STRs under regulation
Paying Guest Scheme	Uttar Pradesh	PG / alternative stays	Multi-stage registration	Discourages platform-led scaling
Incredible India B&B Guidelines	National	Homestays / B&Bs	Owner residence	Formalises STRs
Model Tenancy Act (adopted states)	Multi-state	Rental housing	Owner residence	Reduces incentive to shift from LTR to STR

Airbnb Penetration in the Indian Context

The spatial penetration of short-term rentals across Indian urban centres is fundamentally anchored in the concentration of premium inventory and the proximity to diversified economic clusters. Empirical data suggests that platform supply identifies and populates specific micro-markets where residential **"premiumisation"** intersects with high-value infrastructure. In West Hyderabad, this phenomenon is evidenced by the region's **62% sales share**, driven by its adjacency to HITEC City and the Financial District. North Bengaluru exhibits a similar trajectory, where a **300 basis point** increase in demand share reflects the market's response to luxury villa developments and international airport connectivity.

This clustering mechanism is further bolstered by the diversification of demand drivers beyond the technology sector; the presence of significant healthcare and engineering hubs in Chennai, alongside education and India-facing business services in Ahmedabad, creates a multi-layered demand profile for flexible lodging. As the share of high-value housing continues to lead market volumes, the platform mechanism ensures that **STR supply remains geographically tethered** to these high-liquidity hotspots. Consequently, the penetration of these platforms is highest in corridors characterized by the "Return to Office" movement, major infrastructure milestones like the Atal Setu, and a robust pipeline of lifestyle-oriented housing, resulting in a highly concentrated spatial footprint rather than a broad urban distribution.



Tech as an Enabler

Chapter 6



Virtual Discovery of properties

Constrained Role of Technology

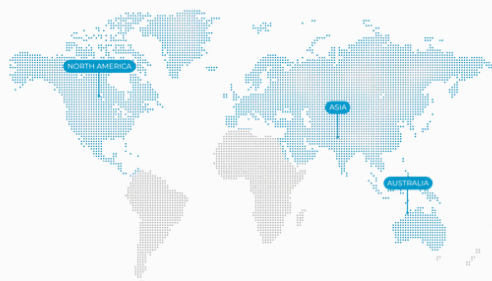
India's housing challenge is not only about shortage of homes, but also about inefficiencies in how land and property systems function. India still faces an urban **housing shortage** of around 1.1 crore units, and a large part of this gap is **worsened by weak land and transaction systems**. Land disputes are common because ownership records are often unclear, and project approvals can take **4-5 years**, slowing down supply. These delays increase costs and reduce the pace at which new housing can enter the market. In this context, technology matters because it reduces friction through better discovery, digitisation, and transparency. However, technology cannot solve housing failures on its own when structural issues like land scarcity and rising input costs remain unaddressed.

The rise of online property portals

The emergence of **online property portals like Housing.com** has **revolutionised the property search process**. These platforms provide comprehensive listings, virtual tours, price comparisons, and detailed neighbourhood insights, making it easier for buyers and tenants to make informed decisions without needing physical site visits.

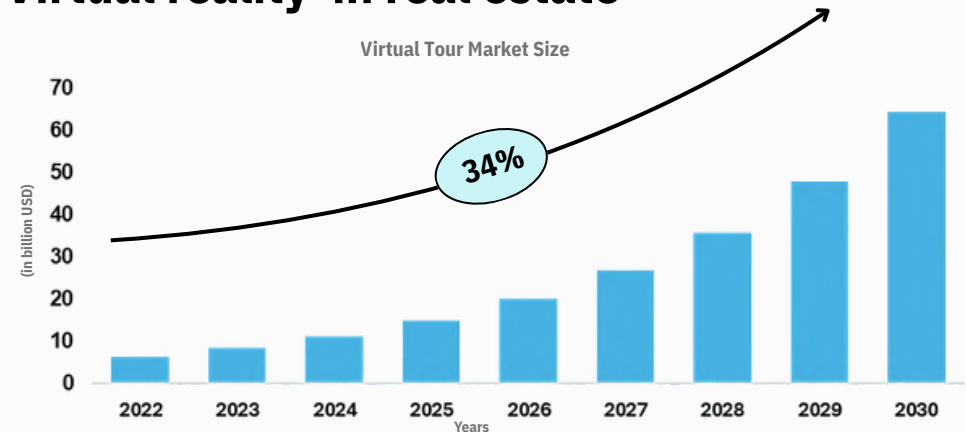
In addition to improving the user experience, these technologies have also facilitated a more competitive marketplace. **Sellers and property developers can leverage data insights to better understand market demands and adjust their offerings accordingly**. This increased competition benefits consumers, as it often leads to more competitive pricing and a wider variety of property options.

Countries Where Housing.com Operates



Source : <https://careers.housing.com/>

Virtual reality in real estate



Source : <https://www.grandviewresearch.com/industry-analysis/virtual-tour-market-report>

Distributed Ledger Technology (DLT)

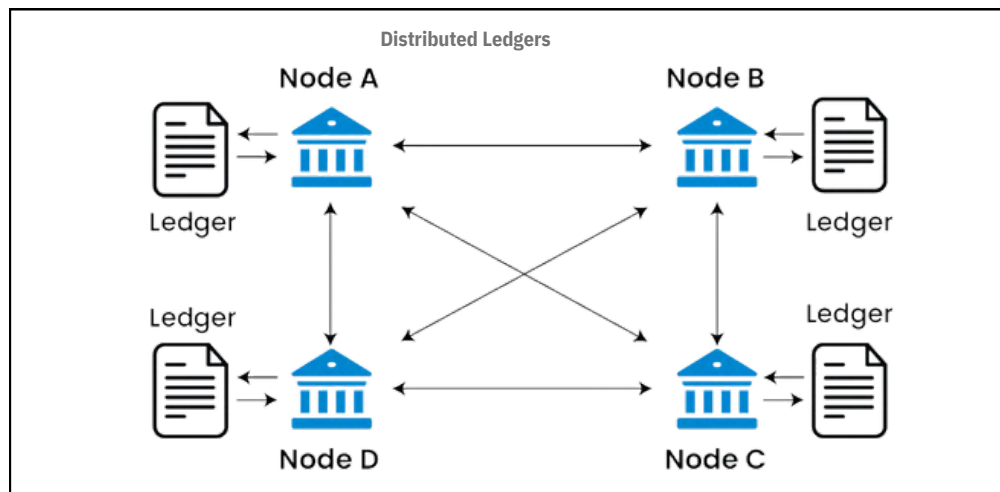
While technologies like AI and VR improved efficiency, one major issue still remained in real estate, which is the lack of transparency in ownership records and transactions. To address these issues, Distributed Ledger Technology (DLT) is now being explored in the real estate sector.

Distributed Ledger Technology (DLT) is a **system for recording, storing, and sharing data across multiple computers or nodes in a network**, ensuring that all copies of the data remain synchronised and consistent. Unlike traditional centralized databases that are controlled and maintained by a single authority, DLT operates in a decentralized manner, where control and validation are shared among participants.

This decentralised structure makes unauthorised data alteration extremely difficult, as any change must be verified across the network. As a result, **DLT enhances data security**, transparency, and trust among users. By providing a reliable and tamper-resistant way of managing information, DLT is increasingly being adopted across various industries.

In the real estate sector, DLT offers transformative potential by addressing longstanding issues related to **property ownership and transaction transparency**.

Blockchain Mechanisms



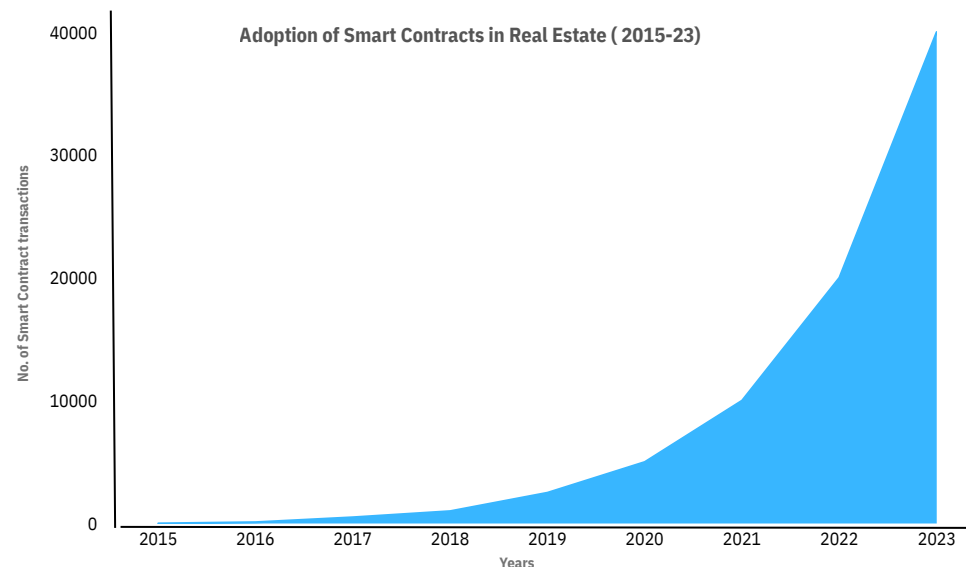
Use cases in Real Estate:

- **Property Transactions:** Streamlines property transactions by recording ownership, liens, and other details on a blockchain, reducing fraud and paperwork. Propy is an example of a platform using blockchain for real estate transactions.
- **Land Registry:** Maintains transparent and tamper-proof land records to reduce disputes and increase efficiency.

Use Case of Smart Contracts

Once DLT provides secure record keeping, smart contracts become the next important development. Smart contracts are **self-executing agreements** with the terms of the contract directly written into code. These contracts operate on blockchain networks, ensuring automation, security, and transparency.

Unlike traditional contracts that require intermediaries such as lawyers or brokers, smart contracts **execute automatically when predefined conditions are met**. This removes the risk of human error and reduces the time and costs associated with contract execution. In the realm of real estate, smart contracts can facilitate a range of transactions, from property sales to lease agreements.



Source : https://helalabs.com/blog/the-rise-of-smart-contracts-in-the-real-estate-industry/#What_Are_Smart_Contracts

Fractional Ownership

After improving transactions and record systems, technology is now also changing the investment side of the real estate through Fractional ownership.

Fractional ownership is a gateway for mid-segment investors to explore luxury real estate. Under its umbrella, an immovable asset acts as a share, where it has multiple owners. Interestingly, the return on investment on the same is also shared as a dividend. Thus, it is one of the best modern real estate investment options to explore.

Fractional ownership in India gained momentum through SM REIT, i.e., Small and Medium Real Estate Investment Trust. If you wonder whether REIT and SM REIT are different, then here is the answer. No. They aren't distinct, but SM REIT is a branch of REIT. (REIT – Real Estate Investment Trust) and SM REIT (Small and Medium Real Estate Investment Trust).

- Introduced in 2014, FoP (Fractional Ownership Platform) was limited to only an asset of Rs. 500 crore.

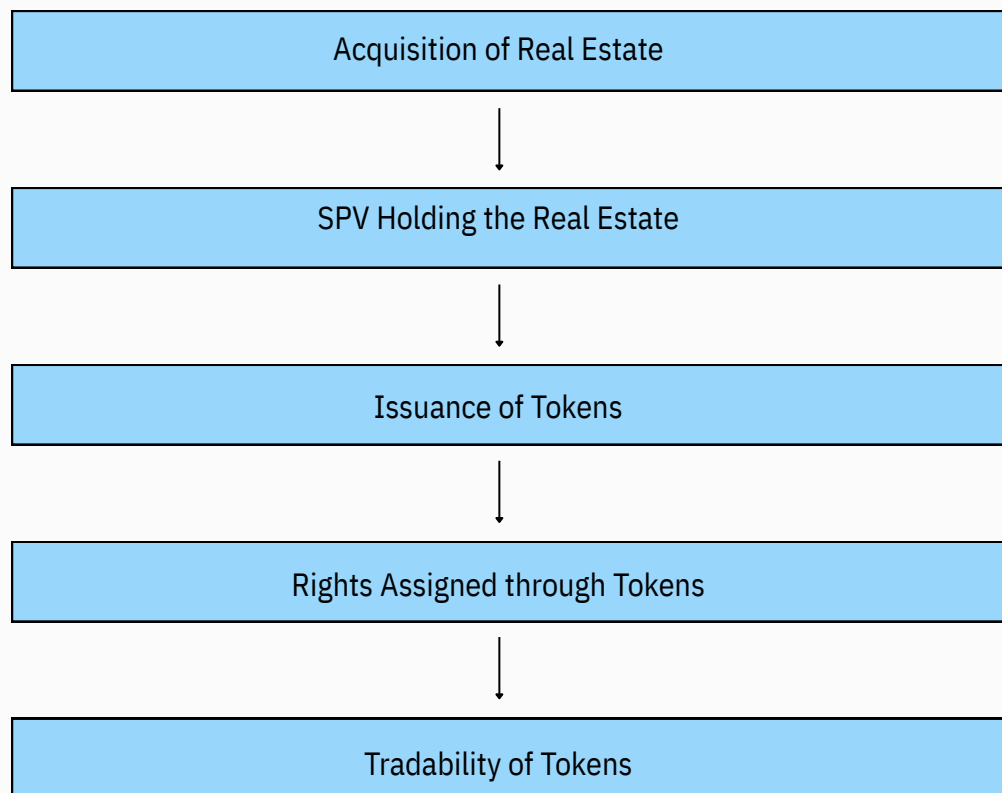
Real Estate Tokenisation

- However, in 2023, the consultation paper introduced Micro, Small, and Medium REITs with an asset value of INR 50 Crore – INR 499 Crore.
- In June 2024, the frequently asked questions (FAQs) released by SEBI (Securities and Exchange Board of India) brought in more transparency.
- Following which, in August 2024, the maiden SM REIT was registered with five applications being under process.

This marked a significant milestone in the growth of real estate investment opportunities in India.

Real Estate Tokenisation (RET)

Process of Real Estate Tokenisation



Fractional ownership becomes even more advanced when it is combined with DLT. This leads to the concept of Real Estate Tokenisation (RET).

RET is a process through which the value of a property is divided into digital tokens using DLT. These tokens represent fractional ownership and can be traded on digital platforms, providing investors access to real estate assets without requiring full ownership. DLT serves as the foundation of this entire process.

Key steps involved are:

- An entity pools investments from a private group of investors to purchase real estate. To facilitate this, a **Special Purpose Vehicle (“SPV”)** may be created to hold the investments. For this example, the investment made by investors is structured as debt.
- The acquired property is held by the SPV, which fractionalizes ownership into digital tokens. The value of the real estate is then represented through a debt instrument issued to investors. For instance, if a property is worth **USD 115,000 and 10,000** tokens are issued, each token would be valued at approximately **USD 11.5**.
- The digital tokens, proportional to the debt instrument, are issued on a blockchain to investors, ensuring security, transparency, and immutability of ownership records.
- Smart contracts embedded within the tokens automatically assign rights to investors, which may include **profit-sharing, governance rights, or future redemption options**.
- After the lock-in period, investors may either trade the tokens on a secondary market or redeem them with the issuing entity based on the agreed terms. The tradability enhances **liquidity** in real estate investment, making it **more accessible to a broader investor base**.

Tokenisation and Housing Affordability

Real estate tokenisation and fractional ownership reduce the minimum investment size, allowing more investors to participate in high-value real estate through smaller contributions.

This improves liquidity and investment access, since real estate can become easier to enter and exit compared to traditional ownership. In India, such platforms have already attracted growing interest, especially among retail and mid-segment investors looking for exposure to premium assets.

However, it is important to separate investment affordability from housing affordability. Tokenisation can make real estate easier to invest in, but it does not automatically make housing cheaper for endusers. **Housing affordability** depends on supply factors like land cost, approvals, and construction.

Government and Regulatory Landscape

economics. In many Indian cities, land can form 40-50% of the total project cost, while approval delays further raise pricing pressure. So, unless land and policy reforms improve supply conditions, tokenisation may widen investor participation but will not directly reduce home prices or solve affordability for buyers.

SEBI's Perspective on Security Tokens

SEBI plans to regulate security tokens representing financial securities, promoting issuance and trading. Blockchains can democratize markets through fractional ownership. Fractional ownership is when the cost of an asset or property is split among individuals, each getting a share. It helps an individual co-own a high-value property with multiple investors. In its consultation paper titled "Regulatory Framework for Micro, Small and Medium REITs (MSM REITs)," released on May 12, 2023, SEBI addresses firms that facilitate fractional real estate ownership. In order to promote asset democratisation and market participation, **SEBI established a legal framework for fractional real estate ownership at its 203rd board meeting on November 25, 2023.**

Blockchain Implemented By Indian States

The **Andhra Pradesh government** has implemented a **blockchain-based land record management** system to bring transparency and efficiency to land-related transactions in the state. The software, known as "**Bhoomi**," has been developed by the state government in collaboration with the blockchain firm, ChromaWay.

Bhoomi stores land records and ownership information on a decentralized ledger, making them tamper-proof and reducing the risk of fraud. It is designed for online verification of property titles, reducing the need for physical inspections and documentation.

The system also provides instant access to land records, eliminating the need for manual record-keeping and reducing the likelihood of errors. This can be seen as a breakthrough in the real estate sector with the help of blockchain technology.

Maharashtra, India's second-most populous state, is leveraging distributed ledgers to revamp the documentation of land property in the region. The Maharashtra initiative focuses on creating a **secure and transparent framework for land transactions**, similar to Andhra Pradesh's approach. By recording all transactions on a blockchain, Maharashtra aims to ensure that every change in property ownership is traceable and immutable. This enhances trust among buyers and sellers.

Few hurdles hinder the growth of the sector and require due consideration are :

- **Unclear Investor Demand:** Despite industry interest, it remains uncertain whether investors and other market participants find tokenised assets attractive. Further, tokenisation is still largely at the proof-of-concept stage, with no significant projects reaching widespread adoption.
- **High Transition Costs:** Moving from traditional financial infrastructure to DLT-based systems requires significant investment and dual-system management during the transition phase.
- **Mismatch between Asset and Token :** Tokenised assets may appear liquid due to fractionalisation, but underlying assets may not be easily tradable, leading to potential mismatches in liquidity. The price of a token may diverge from the underlying reference asset, leading to valuation and risk assessment issues.
- **Interoperability Issues:** Many DLT platforms cannot share data effectively, limiting the potential for seamless integration with other platforms.

Interface of the software, known as "**Bhoomi**", has been developed by the state government of Andhra Pradesh in collaboration with the blockchain firm ChromaWay.

When Technology Falls Short

RealT in Detroit

One of the most widely reported negative outcomes linked to property tokenisation has been the experience of renters in Detroit under RealT, a **crypto-based fractional property** investment platform. What happened:

- RealT sold fractional blockchain tokens representing ownership of Detroit rental properties to thousands of investors globally.
- Tenants in many of those properties reported **poor maintenance, unresolved repairs** (mold, broken plumbing, malfunctioning utilities), and a lack of clear management contact.



- Because **ownership via tokens was fragmented** and management was outsourced or opaque, tenants did not always know who was responsible and suffered deteriorating housing conditions.
- company also fell behind on taxes for some properties and faced foreclosure threats, all of which added instability to the local housing situation.

Telangana Dharani Land Records Portal

Background and Objective

The Government of Telangana launched the Dharani Land Records Portal in 2020 as a major digital governance initiative to modernise land administration in the state. The portal aimed to integrate land records, registration, and revenue services into a single online platform, enabling services such as mutation, ownership verification, and registration. By replacing manual, paper-based processes with a digital system, the initiative sought to reduce delays, improve transparency, limit discretion at the local level, and make land-related services more accessible to citizens.

The Promise of Digitisation

Dharani aimed to make land records easily accessible, reduce paperwork, and bring more clarity in ownership details by replacing manual systems with a centralised digital database.

What Went Wrong: Key Challenges

1. Data Errors and Mismatches

Older mistakes from manual records were carried into the portal, leading to ownership mismatches and a rise in complaints and disputes.

2. Technical and Access Issues

Users faced service disruptions such as downtime and portal-related issues, which affected smooth delivery of land services.

3. Weak Grievance and Correction System

The lack of a strong correction and appeal mechanism made it difficult for citizens to fix errors, forcing many cases into litigation.

Key Learning

The Dharani case illustrates that while digitisation can improve speed and accessibility, it does not automatically ensure accuracy or trust. If legacy data is not properly verified and cleaned, digital systems may reproduce existing errors at scale. The experience also highlights the need for strong grievance redressal and correction mechanisms, as citizens must have clear avenues to resolve disputes. Overall, the case shows that effective digital governance requires a balance between technology, data integrity, and institutional safeguards.



Policy Gaps & Strategic Recommendations

Chapter - 7

Policy Gaps & Strategic Recommendations:

RERA

The Real Estate (Regulation and Development) Act, 2016 (RERA) was enacted by Parliament to overhaul India’s housing market and protect homebuyers. Government documents hailed RERA as a “transformative legislation” to ensure efficient, transparent and accountable development, by empowering homebuyers with rights to timely possession and speedy dispute resolution

Now, in 2025, the sector is entering the next phase of regulation with RERA 2.0, an upgraded version designed to resolve gaps in the original framework.

What is RERA 2.0 and how is it different from the original RERA?

The original RERA, implemented in **2017**, primarily focused on registering projects, mandating disclosures, and safeguarding buyers’ money.

RERA 2.0, introduced in 2025, aims to fix these shortcomings. The differences include:

- Stricter penalties for project delays.
- Mandatory escrow account safeguards to prevent misuse of funds.
- Faster dispute resolution with a 60-day timeline.
- Digital project tracking and online dashboards for buyers.
- Certification requirements for real estate agents.

In essence, RERA 2.0 strengthens enforcement while making the system more accessible and transparent for homebuyers.

Accountability

There are Key Provisions of RERA relevant to accountability.

- Grievance redressal mechanisms: establishment of regulatory authority and appellate tribunal enabling buyers to raise complaints. **(IJFMR)**.
- Obligation to disclose project details (approvals, progress Report, financial disclosures) and updates on the regulator portal
- Online Payment: E-stamping has made payment more convenient and efficient, reducing the need for physical stamp papers and lowering risks of fraud.
- Mandatory registration of projects and real-estate agents before advertising or sale.

Loopholes

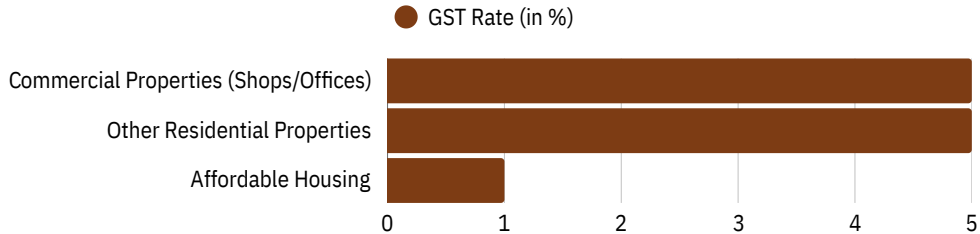
Several loopholes allowed builders to delay possession, mismanage funds, and prolong disputes. Renders homebuyers at a disadvantage when builders default on their promises of delivering homes on time.

Stamp Duty & Tax Reform:

Waivers often target women buyers, first-time homeowners, or affordable segments, while GST integration proposals seek to streamline taxation. Stamp duty waivers and tax reforms in India, particularly in the context of GST, aim to reduce property transaction costs to boost urban housing affordability.

New GST Rate on Real Estate

The Government of India is updating GST rates effective after 22 Sep 2025. Below are the expected new GST rates for Real Estate (no compensation cess).



Source: GST on Real Estate in India 2025

The key features of stamp duty and tax reforms:

- E-Stamping and Digital Records: The reforms introduce and encourage electronic stamping (e-stamping), widening the definition of "impressed stamp" to include electronic signatures and records (in accordance with the **IT Act, 2000**).
- Centralized Collection for Securities: To prevent multiple taxation and jurisdictional disputes, stamp duty on securities (shares, bonds, derivatives) is now collected at one place by one agency (Stock Exchanges, Clearing Corporations, or Depositories).
- Online Payment: E-stamping has made payment more convenient and efficient, reducing the need for physical stamp papers and lowering risks of fraud.

Fiscal Structures & Rental Market Governance

Key Stamp Duty Rates (2026)

Uttar Pradesh (General): **5% - 7%**.
Ghaziabad (Male): **7% + 1%** registration.
Ghaziabad (Female/Joint): **6%** (if property value > ₹10 lakh) + **1%** registration.
Delhi (Male): **6% + 1%** registration.
Delhi (Female): **4% + 1%** registration.
Delhi (Joint): **5%**.
Registration Fees: Uniform Yet Capped Structure
Registration fees maintain remarkable consistency across India at **1%** of property value, though maximum caps vary by state:

State Category	Registration Fee	Maximum Cap Range
Metro States	1%	Rs 30,000-Rs.60,000
Tier-2 Cities	1%	R 25,000-Rs.40,000

Source: State-Wise Stamp Duty and Registration Fees in India 2025-26

Rental Market Unlock:

With the objective of creating a more balanced and structured framework for rental transactions. The Act aims to streamline the rental process, encouraging more investment in the sector while addressing issues like unauthorized subletting, rent control, and eviction procedures. With this, the Act sets the stage for a significant overhaul in the way residential and commercial tenancies are governed in India.
A major shift brought by the **Model Tenancy Act** is the establishment of Rent Authorities, replacing civil courts as the adjudicating bodies for rental disputes. With Fiscal Policy: As more rental agreements are registered, the "informal" rental economy becomes formal. This helps the government track rental income for tax purposes, while also providing tenants with legal proof of residence for GST or banking needs.

Additionally, the Act enforces mandatory written tenancy agreements, standardizes security deposit limits, and provides clear guidelines for rent revisions, minimizing the likelihood of disputes over rent increases or security deposits.
These provisions, aimed at fostering fairness and transparency, serve to protect the interests of both parties involved.

Market Impact:

"The Act promotes a shift from 'build-to-sell' to 'build-to-rent' models, attracting institutional investors and addressing the issue of low rental yields, which currently hover around **2-3%**.
In summary, the **Model Tenancy Act** is a reform that aims to alleviate India's housing shortage by providing affordable, quality rental housing and attracting long-term institutional capital to this segment. This legal framework is a crucial step in resolving the challenges currently faced by both landlords and tenants. Timely implementation of the law has the potential to set the housing market on a path toward a better and brighter future."

Short-Term Rental Governance:

Short-term rental (STR) governance seeks to balance economic benefits from platforms like Airbnb with security concerns such as illegal listings, housing shortages, and enforcement challenges. Research highlights platforms' frequent non-cooperation, including hiding host identities and resisting data disclosure.
Key elements of short-term rental governance include:
• **Registration and Licensing:** Many municipalities require registration and specific permits to operate legally.
• **Zoning Restrictions:** Local governments often define where STRs are allowed, separating residential and commercial zones.
• **Operational Rules:** Restrictions may apply to the number of days a property can be rented annually (e.g., a 90-day limit in certain areas).
• **Safety Standards:** Mandatory compliance with safety regulations, such as installing smoke detectors and providing fire safety instructions.
• **Compliance Penalties:** Failure to follow local regulations can result in substantial fines, with some areas threatening to shut down non-compliant listings.

Regulatory Challenges & Consumer Incentives

Rent Increase & Eviction Rules:

Rent hikes are allowed only once a year with at least a **90-day** written notice. The landlord must follow the formal tribunal process for eviction rather than taking sudden action. In states that have adopted **MTA-based rules**, rent increases and eviction conditions are governed by the rent agreement and applicable state rules. The act does not mandate a fixed annual increase or a uniform notice-period nationwide.

Reasons behind policy failures in the Real estate sector:

- Developers often **delay compliance or file appeals** to stall execution.
- **Practical enforcement** remains inconsistent across states.
- **Enforcement Difficulties** Lack of robust mechanisms for executing orders reduces the efficacy of consumer remedies.
- **Insolvency Conflicts:** Builder insolvency often frustrates individual claims of allottees
- **Regulatory Inconsistency:** State RERA rules differ in terms of interest rates and enforce
- **Reasons Behind policy failures in the real estate sector:** ment procedures.
- **Limited Consumer Awareness:** Many homebuyers remain unaware of available remedies.

How these policies interact with each other in the real estate market?

The Indian real estate market operates within a **complex ecosystem** where monetary and fiscal policies (like GST and tax benefits) determine baseline affordability and costs, while **RERA** and the **Consumer Protection Act** provide the transparency and buyer rights necessary to sustain confidence. Within this framework, **FEMA regulations act** as a critical lever for external demand, a factor that became decisive in **2026**. Recent relaxations in FEMA norms specifically the easing of compliance for property transactions and increased investment limits have triggered record NRI inflows. With these investors demonstrating a higher "**willingness to pay**" and effectively shifting the market's Indifference Curves, developers are strategically pivoting supply away from affordable projects toward high margin Luxury and Grade-A housing to capture this premium, foreign demand.

Affordability outcome

Tax Benefits for Homebuyers:

- Deduction of up to **₹2 lakh** on interest paid for a home loan under Section 24(b).
- Additional deduction of **₹1.5 lakh** for first-time homebuyers under Section 80EEA (valid for affordable housing loans).
- Exemption on principal repayment up to **₹1.5 lakh** under Section 80C.

Impact on Real Estate: Encourages first-time buyers and reduces the financial burden on middle-income families.



The policy interventions have successfully created a more formal, transparent, and robust market, but the immediate, urban affordability crisis remains a significant challenge, requiring more flexible, market-aligned definitions and continued supply-side incentives.

Market Dynamics & Strategic Conclusion

Impact on Demand

Lower property taxes or tax incentives attract buyers and investors, while higher duties (stamp duty, capital gains) can curb demand.

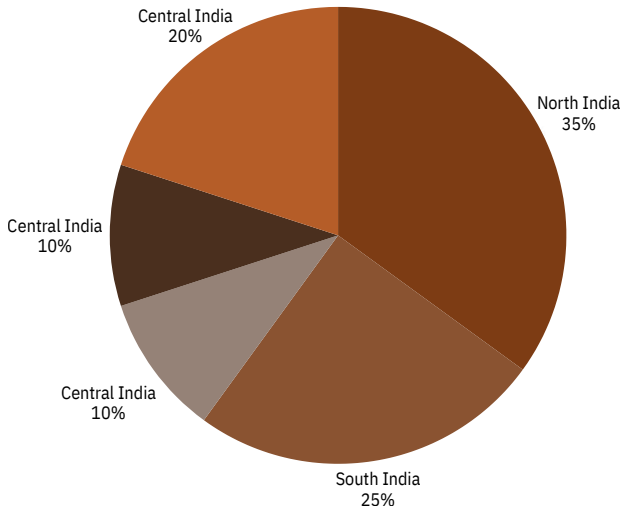
RBI's interest rate decisions affect home loan affordability, influencing buyer sentiment and demand.

RERA increases buyer confidence, leading to more consistent demand from genuine end-users rather than speculators

Impact on supply:

Digitization and faster approvals streamline project launches, increasing supply, while delays restrict it.

Tax breaks and policies encouraging affordable housing prompt developers to build more budget-friendly homes, increasing overall supply.



Source: India Residential Real Estate Market Regional Market Share

These reforms have largely shifted the market from a speculative, unorganized sector to one that is more investor-friendly and consumer-centric.

Conclusion

RERA 2.0 strengthens buyer protection and accountability, but real impact depends on pairing it with affordability reforms, the **Model Tenancy Act**, and clearer short-term rental rules. Together, these aim to make India's housing market more transparent, affordable.

policy interventions have succeeded in stabilizing the market and preventing extreme volatility, they have not yet delivered a sustained reduction in housing prices. The real estate market is gradually shifting towards transparency, institutional participation, and long-term sustainability, but achieving true affordability and balanced growth will require stronger enforcement, harmonization across states, and better coordination between demand-side incentives and supply-side facilitation.

Institutional Capital, Tighter Norms Rewrite Indian Realty Funding Rules

Projects now rely on developer equity, private credit and buyer collections

Kailash Babar

Mumbai: India's real estate funding has quietly undergone a fundamental reset. Traditional sources like banks, NBFCs, private equity, institutional investors, and customer advances remain, but capital now flows in far more structured, conditional, and disciplined ways. Regulatory tightening, balance-sheet repair, and the rise of institutional capital have redefined who gets funded, when, and on what terms. The result: better execution. market

Capital Structure of Projects

Developer Funding
25-30%
Institutional Finance
~45-50%
(approx)
Homebuyer Collections
~25-30%

Funding model:
Project-level, milestone-linked, rather than portfolio-level

Bank role:
Low-risk projects, construction finance at **9-12%** (approx)

Escrow requirement: **70%** of homebuyer collections ringfenced



*Figures are indicative averages; actual terms may vary by project

dit funding, and homebuyer collections. Capital is deployed at the project level rather than freely across a developer's portfolio, with funds released in line with approvals and construction milestones. Industry executives estimate that promoter equity now typically accounts

the availability of capital but the discipline attached to it. Banks, NBFCs and private equity were active earlier as well, but funding was more flexible and fungible. Today, capital providers require approvals, clear execution plans, milestone-based disbursements, and tighter covenants before rele-

strong track records. Bank funding typically comes at a cost of around 9-12%, but access is tightly controlled through approval-led and cash-flow-based disbursement structures.

HOW HAS REGULATION RESHAPED PROJECT FUNDING?
Regulation, particularly RERA, has had a transformative impact on project funding. Escrow requirements mandate that 70% of project collections remain ring-fenced, restricting the diversion of funds across projects. Along with GST compliance, tighter lending norms and increased scrutiny of land titles, regulation has reduced speculative launches and forced developers to secure capital and approvals before going to market. This has increased transparency and improved confidence among lenders and institutional investors.

Source: Institutional capital, tighter norms rewrite Indian realty funding rules

Government policies in **2024** have significantly impacted the Indian real estate sector, bringing about a more transparent, accountable, and growth-driven industry. The implementation of RERA has restored trust in the market, GST has simplified taxation, and affordable housing schemes like **PMAY** have made homeownership a reality for many.

Real Estate Market Forecast 2026

Chapter - 8

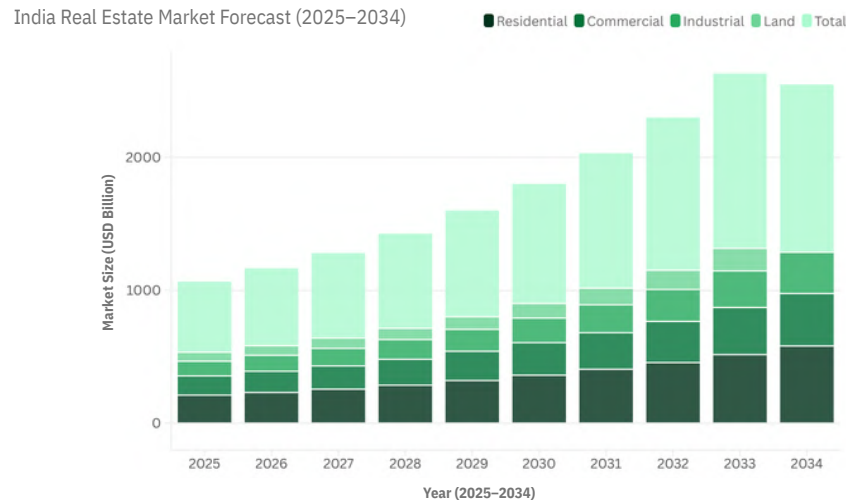


Growth Momentum and Price Pressures

India Real Estate Growth

The Indian real estate market is forecast to continue robust growth supported by rapid urbanisation, rising disposable incomes, strong demographic demand, and supportive government initiatives such as RERA and PMAY.

MARC Group projects the total Indian real estate market to reach approximately **USD 1,264 billion by 2034 at a CAGR of ~10% from 2026 to 2034**, with the residential segment accounting for nearly four-fifths of the market share in 2025.



Source: JIMARC Group, India real estate market: Industry trends, share, size, growth opportunity and forecast 2026–2034

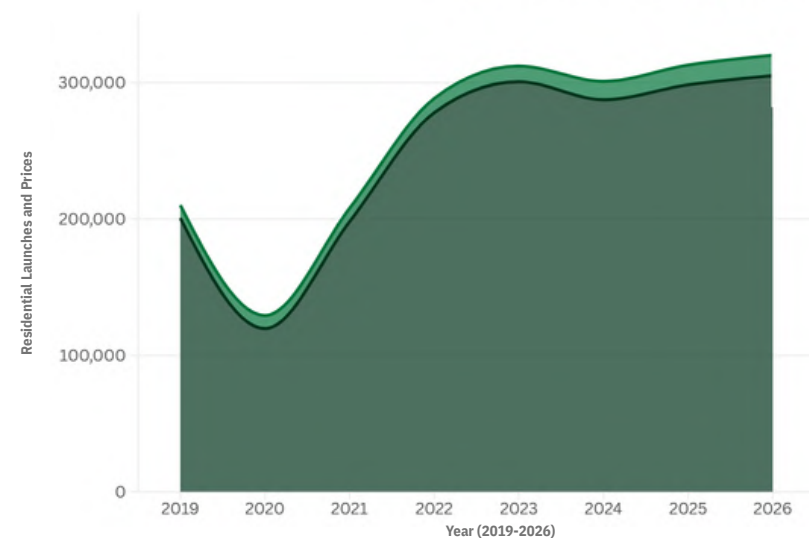
However, this **growth will be unevenly distributed across segments and regions**. Residential demand remains dominant, but absorption varies across metro, Tier-1, and Tier-2 cities, reflecting income elasticities and affordability constraints.

Growth will continue, but its impact on ordinary households will be determined by income, geography, and tenure choice rather than aggregate expansion alone. The varied pace of growth across different locales suggests that while **metropolitan areas may experience rapid price increases due to high demand and limited supply**, **Tier-2 and Tier-3 cities might see more moderate growth**, offering opportunities for new buyers and investors. In these emerging markets, affordability and infrastructure development will play crucial roles in attracting investments.

Residential Price Growth

The **residential real estate market is expected to grow strongly through 2026**, with new home launches reaching levels last seen in 2023. Growth is driven by more people moving to cities, lifestyle improvements, higher incomes, and increased buyer confidence.

Rise in the prices and launches of residential properties



Source: Cushman & Wakefield, (2026), India Outlook 2026: A comprehensive real estate perspective

However, the affordable and mid-income segments will continue to lag in actual purchasing power. Accelerated price growth without parallel income gains reinforces affordability stress, especially among first-time buyers.

Prices are expected to rise modestly even if demand softens in some segments, thereby maintaining a structural affordability ceiling that households must bridge via alternate mechanisms (renting or relocating to more affordable cities).

This dynamic underscores the importance of innovative financial solutions and supportive policies to bridge the gap for potential homeowners. Additionally, developers are increasingly exploring sustainable and cost-effective construction techniques to reduce overall project costs, which could ultimately benefit buyers in the affordable and mid-income segments.

Supply–Demand Equilibrium:

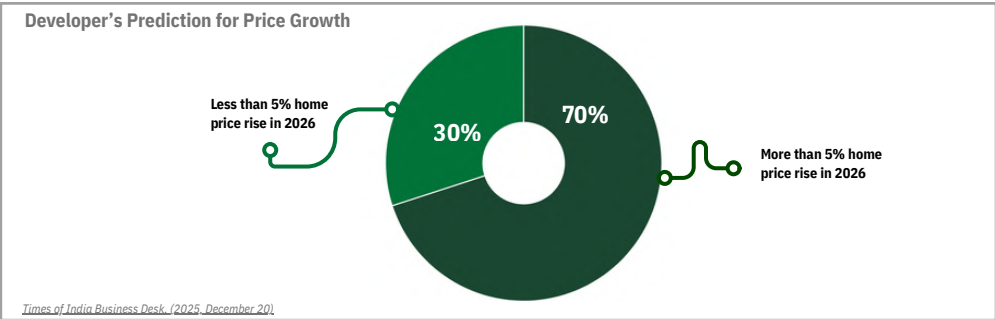
Supply–Demand Equilibrium: Residential

Residential demand in India is expected to remain healthy and resilient in 2026, supported by long-term demographic demand, rising incomes, expanding urbanisation, and sustained homeownership aspirations. A developer sentiment survey reported that nearly **70% of developers expect home prices to rise by more than 5% in 2026**, reflecting optimism about continued consumer interest and end-user demand growth.

Despite broader economic uncertainties, housing demand is anchored in genuine consumption rather than speculation.

New housing supply will continue at moderate levels, with developers calibrating launches toward mid-to-premium segments and aligning product offerings with buyer preferences. Peripheral and Tier-2 and Tier-3 city markets are seeing project pipelines expand due to lower land costs and better infrastructure connectivity.

However, inventory dynamics and absorption cycles will remain segmented; while premium products see stable uptake, affordable and mid-income segments may face slower supply growth due to cost pressures and policy bottlenecks.



IMPLICATIONS

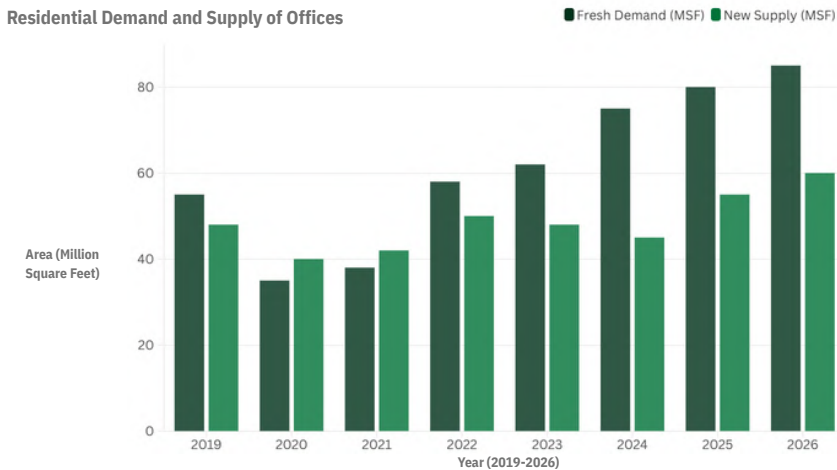
Demand is greater than supply for well-located homes in Tier-2/3 markets; therefore, continued price resilience is expected (5–10% growth) with limited downward correction.

Supply–Demand Equilibrium: Offices

The office market in India is expected to remain robust in 2026, building on a strong 2025 performance. Leasing activity is forecast to stabilise around 70–75 million sq ft, supported by increased occupier demand from Global Capability Centres (GCCs), technology, BFSI, engineering, healthcare, and flexible workspace operators.

GCCs alone are projected to account for as much as 30–35 million sq ft of demand, representing a significant share of Grade A office uptake in 2026.

New office space supply is expected to remain balanced and moderate in 2026, with projected completions in the 55–60 million sq ft range.



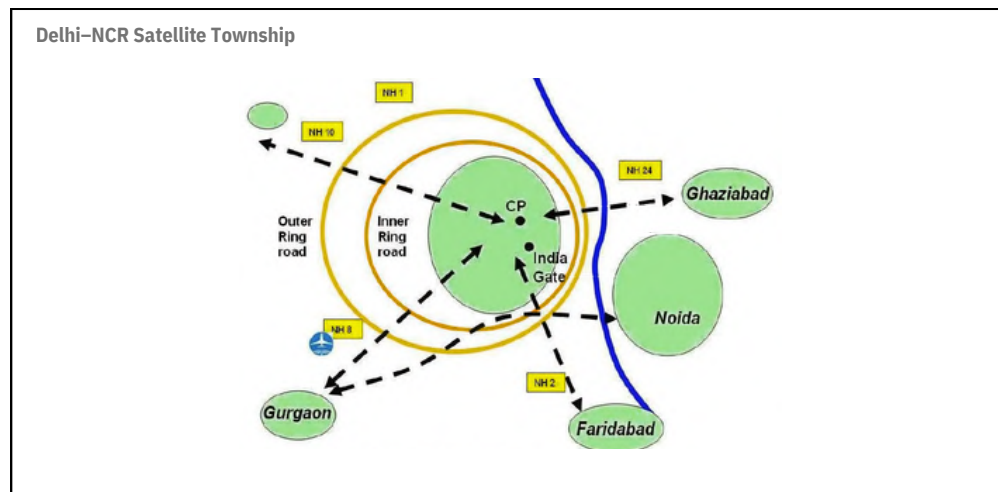
IMPLICATIONS

With demand outpacing supply, **office rentals are forecast to go up by 5–10% in 2026**, and vacancy rates are expected to remain stable or tighten modestly in high-demand markets.

Satellite Townships and Sustainable Housing

Satellite Township Forecast for India in 2026

Satellite townships in India are poised for significant expansion in 2026, driven by infrastructure upgrades, regional urbanisation policies, and investment in peri-urban development. This growth is **not limited to traditional mega-city** peripheries but is increasingly seen in Tier-2 and Tier-3 corridors where connectivity improvements are unlocking new development opportunities.



Rapid infrastructure development, including new airports, expressways, metro extensions, and regional transport links, is accelerating the growth of satellite townships around major urban centres.

- **Jewar International Airport near Delhi-NCR and the Yamuna Expressway** corridor continue to attract residential and mixed-use satellite township investment as connectivity strengthens.

- **Peripheral infrastructure projects around Chennai and Mumbai (NAINA/Navi Mumbai International Airport)** are expected to continue directing growth towards nearby satellite markets such as Sriperumbudur, Pen, and Khopoli, with land values appreciating substantially as connectivity improves.

These projects are expected to sustain township-related development momentum through 2026 and beyond, leveraging their proximity to transport nodes and employment hubs

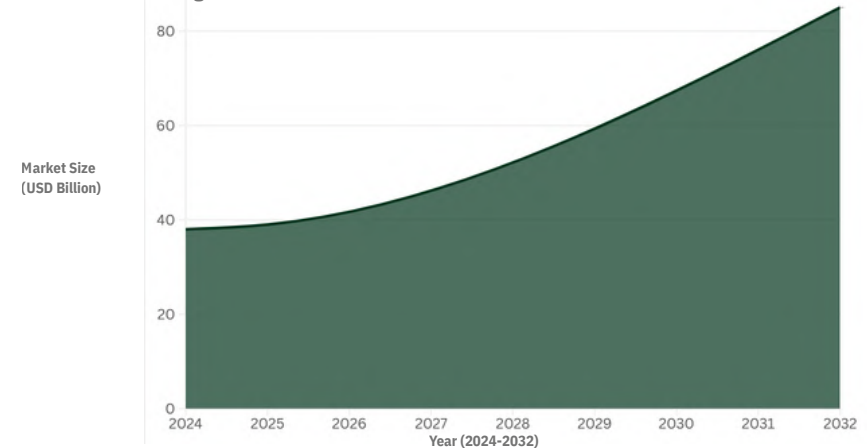
Sustainability and Green Housing

In 2026, the sustainable and green housing segment in India is expected to strengthen significantly, driven by growing environmental awareness, policy encouragement, and measurable cost and efficiency benefits for occupants and developers.

India's **green buildings** market has already expanded rapidly in recent years, with the overall green buildings sector projected to reach around **USD 39 billion by 2025**. This reflects the widening adoption of energy-efficient construction, eco-friendly materials, and certified sustainable design practices.

By 2026, certified green residential and mixed-use projects are expected to gain further traction, not just in Tier-1 cities but increasingly in Tier-2 and emerging markets, as developers and buyers prioritise energy efficiency, reduced utility costs, and long-term liveability. Demand for eco-friendly homes is expected to grow faster than conventional housing in many markets, supported by **rising awareness and lifestyle preferences among urban homeowners**.

Growth of Green Housing



Markets and Data, (2025), India green building market: Industry analysis, size, share, growth trends and forecast

Green and sustainable homes typically command a discernible premium over conventional properties (often in the range of 5–10% or more) because buyers attribute long-term value to lower operating costs, improved indoor environmental quality, and future resale potential. This trend is expected to strengthen in 2026, with developers increasingly integrating green certifications into new projects to meet both investor and buyer expectations. .



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